



AUDIT AND ORGANISATIONAL RISK COMMITTEE MEETING

MINUTES

**The Audit and Organisational Risk Committee Meeting
was held in the Council Chambers,
Welcome Road, Karratha,
on Friday, 16 November 2018**

A handwritten signature in black ink, appearing to read "Chris Adams", is positioned above a horizontal line.

**CHRIS ADAMS
CHIEF EXECUTIVE OFFICER**



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The City of Karratha warns that anyone who has any application lodged with the City of Karratha must obtain and should only rely on

WRITTEN CONFIRMATION

of the outcome of the application, and any conditions attaching to the decision made by the City of Karratha in respect of the application.

Signed: _____

Chris Adams - Chief Executive Officer

DECLARATION OF INTERESTS (NOTES FOR YOUR GUIDANCE) (updated 13 March 2000)

A member who has a **Financial Interest** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (c) Preside at the part of the Meeting, relating to the matter or;
- (d) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the Local Government Act 1995.

NOTES ON FINANCIAL INTEREST (FOR YOUR GUIDANCE)

The following notes are a basic guide for Councillors when they are considering whether they have a **Financial Interest** in a matter. I intend to include these notes in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the *Local Government Act 1995* but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
 - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the Local Government Act; or
 - 6.2 Where the Minister allows the Councillor to participate under s5.69 (3) of the Local Government Act, with or without conditions.

INTERESTS AFFECTING IMPARTIALITY

DEFINITION: *An interest that would give rise to a reasonable belief that the impartiality of the person having the interest would be adversely affected, but does not include an interest as referred to in Section 5.60 of the 'Act'.*

A member who has an **Interest Affecting Impartiality** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest;

- (a) in a written notice given to the Chief Executive Officer before the Meeting; or
- (b) at the Meeting, immediately before the matter is discussed.

IMPACT OF AN IMPARTIALITY CLOSURE

There are very different outcomes resulting from disclosing an interest affecting impartiality compared to that of a financial interest. With the declaration of a financial interest, an elected member leaves the room and does not vote.

With the declaration of this new type of interest, the elected member stays in the room, participates in the debate and votes. In effect then, following disclosure of an interest affecting impartiality, the member's involvement in the Meeting continues as if no interest existed.

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MINUTES

1 OFFICIAL OPENING

The Meeting was officially opened at 3.01 pm.

2 RECORD OF ATTENDANCES AND APOLOGIES

Committee Members:	Cr Evette Smeathers Cr Grant Cucel Cr Peter Long Cr Daniel Scott	(Chairperson)
Staff:	Chris Adams Phillip Trestrail Henry Eaton Linda Phillips	Chief Executive Officer Director Corporate Services Manager Governance & Organisational Strategy Minute Secretary
External:	Maria Cavallo CA	Director, AMD Chartered Accountants
Apologies:	Ray McDermott	Manager Financial Services/CFO

3 DECLARATIONS OF INTEREST

Nil.

4 CONFIRMATION OF MINUTES AND BUSINESS ARISING FROM MINUTES OF PREVIOUS MEETINGS

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR71
MOVED : Cr Long
SECONDED: : Cr Scott

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Tuesday, 14 August 2018, be confirmed as a true and correct record of proceedings.

CARRIED

FOR : Cr Smeathers, Cr Cucel, Cr Long, Cr Scott
AGAINST : Nil

5 ITEMS FOR DISCUSSION

5.1 AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2018

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	A/Manager Governance & Organisational Strategy
Date of Report:	14 September 2018
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	<ol style="list-style-type: none"> 1. Annual Financial Report with Audit Opinion 2. CONFIDENTIAL - Management Report / Audit Findings

PURPOSE

To receive the Annual Financial Report of the City's affairs for the 2017/18 financial year and to consider the Audit Opinion and Management Report provided by the City Auditors, AMD Chartered Accountants (AMD).

BACKGROUND

Council is legislatively obliged to have the accounts and annual financial report for each financial year audited by an auditor appointed by the local government. AMD Chartered Accountants was appointed as the City's auditors to review the financial periods 2015/16 through to 2017/18. This is the final audit prior to the Office of the Auditor General commencing overseeing of local government audits.

Following the completion of this year's audit, which commenced in August, AMD provided the attached Audit Opinion and Management Report, including audit findings and recommendations.

The Audit Opinion is unqualified indicating that the accounts are a true and fair representation of the City's financial performance for 2017/18. Additionally, the Management Report indicates that the City's financial procedures and controls are adequately designed with no significant or moderate findings identified and only three minor findings that are summarised as follows:

Finding	Implication	Recommendation	Management Response
Allocation rates used for Public Works Overheads (PWO) during 17/18 were too low, resulting in PWO costs being under allocated	Incorrect cost allocations used in respect to public works overheads during the year	Allocation rates and allocations to jobs be reviewed periodically during the year to ensure there are no major under or over allocations of PWO costs	A review of the PWO rate will be undertaken as part of the annual statutory budget review. The review will ensure PWO allocations are fully applied to all public works with reviews undertaken quarterly thereafter.

21 employees had an annual leave balance in excess of 8 weeks at year end, 16 of which had long service leave benefits due	Cost to the City is greater if leave is not paid out regularly	Employees should take regular leave through the ongoing management of leave scheduling and leave liabilities	The City EA allows employees to accrue up to 12 weeks. Employees are encouraged to take leave regularly. Letters of concern are issued when employees accrue 10 weeks and 12 weeks. As at 30 June only one employee had in excess of 12 weeks annual leave accrued. Currently no employees have over 12 weeks annual leave accrued.
A number of 'Human Resources policies' were noted to be out of date at the time of the audit, e.g. Travel & Accommodation, Councillor Fees, Staff & Voluntary Services and Volunteer Policy.	Risk that policy may be out of date and require amendment	Policies and procedures should be reviewed in accordance with stated dates. Frequency of review should be based on the nature of the matter contained within.	All HR Council policies are currently under review. The Staff & Voluntary Services policy was due in May 2018 and the Travel & Accommodation and Councillor Fee policies are not due for review until 2019.

LEVEL OF SIGNIFICANCE

In accordance with Council Policy *CG-8 Significant Decision Making Policy*, this matter is considered to be of high significance in terms of compliance and financial integrity.

COUNCILLOR/OFFICER CONSULTATION

Financial Services staff together with the CEO, Director Corporate Services and Manager Financial Services/CFO have been consulted regarding the preparation of this report.

COMMUNITY CONSULTATION

No community consultation is required. The community will be notified of and invited to attend the Annual Electors Meeting to discuss the contents of the City's Annual Report that will contain the Annual Financial Report and the Audit Opinion.

STATUTORY IMPLICATIONS

Section 7.2 of the *Local Government Act 1995* and Regulation 10 of the *Local Government (Audit) Regulations 1996* provide for the annual audit and the report by auditor.

Section 5.54 of the *Local Government Act 1995* provides for acceptance of annual reports by the local government.

POLICY IMPLICATIONS

The financial affairs have been prepared in accordance with the Australian and International Accounting Standards and in accordance with Council Policy CF01 Local Government Accounting Directions.

FINANCIAL IMPLICATIONS

There are no direct financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2018-2019 provided for this activity:

Our Program/Services: 4.c.1.1 Management Accounting Services
 Our Projects/Actions: 4.c.1.1.1 Conduct monthly and annual financial reviews and reporting

Our Program/Services: 4.e.2.1 Publications and media notices
 Our Projects/Actions: 4.e.2.1.1 Produce Annual Report

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	Low	Significant controls and oversight in place throughout the year to monitor financial performance. Audits assist in minimising risks.
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	Low	Significant controls and oversight in place throughout the year to monitor financial performance.
Compliance	Low	Significant controls and oversight in place throughout the year to monitor financial performance.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

The external audit is completed annually and reported to the Audit & Organisational Risk Committee and Council prior to the Annual Electors Meeting.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit & Organisational Committee by SIMPLE Majority pursuant to Section 5.54 of the *Local Government Act 1995* RESOLVES to NOT ACCEPT the Audit Opinion from AMD Chartered Accountants for the year ended 30 June 2018 and seek further advice and clarification on the report.

CONCLUSION

The Audit Opinion is unqualified indicating that the annual financial report is free from material misstatement and no non-compliance issues were identified through the examination of the City's financial affairs. It is recommended that the Audit Opinion and the Annual Financial Report be presented to Council to enable the Annual Electors Meeting to be convened.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR72
MOVED : Cr Cucel
SECONDED: : Cr Long

That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Section 5.54 and 7.2 of the *Local Government Act 1995* and Regulation 10 of the *Local Government (Audit) Regulations 1996* RESOLVES to:

1. NOTE the Management Report provided by AMD Chartered Accountants for the year ended 30 June 2018;
2. ACCEPT the Audit Opinion from AMD Chartered Accountants for 2017/18; and
3. ACCEPT the Annual Financial Report for the Year ended 30 June 2018.

CARRIED

FOR : Cr Smeathers, Cr Cucel, Cr Long, Cr Scott
AGAINST : Nil

5.2 RISK REGISTER UPDATE

File No:	RM.8
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Governance Officer - Compliance
Date of Report:	23 October 2018
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Confidential Risk Register Extract

PURPOSE

To provide an update on relevant indicators relating to the organisation's management of risks.

BACKGROUND

Managers have reviewed and updated the Risk Register, with particular emphasis on identifying:

- Risks not already captured;
- Potential changes in cause and effect factors;
- Inherent Likelihood and Consequence;
- Key Controls and their respective rating;
- Residual Likelihood and Consequence; and
- Actions or treatments to manage the risks (including review of action items from last review).

One Planning risk was removed during the latest review which was essentially a duplicate of a Human Resources staffing risk. The risk was deemed to be sufficiently recorded with extensive controls in place.

The following new risks were identified in the latest review, bringing the total to 180 risks on the Risk Register:

- Employee misconduct at REAP; and
- Compliance issues surrounding management of animals.

The table below provides the *inherent* and *residual* risk totals and percentage representation.

Number of Risks	180	
Number with Inherent Consequences rated Major or Catastrophic	33	18.3%
Number of Inherent Risks rated High or Extreme	45	25%
Number of Residual Risks rated High or Extreme	4	2.2%

The attached extract from the Risk Register provides details of the 45 *inherent* risks rated high or extreme, however with current controls in place only four of these risks have a high *residual* risk. Two of these risks are considered acceptable given the controls in place and effective management and monitoring of the risks. The remaining two risks need further improvement to current controls.

6.7% of risks require some further improvement to existing controls. These are being addressed through stakeholder engagement, introduction of new technologies, training, implementing new methodologies, strategies or processes which in some cases may have a long lead in period, for example updating cemetery records, PIIG process review, etc.

The heat map below displays the current assessed *residual* rating for all 180 identified risks.

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	0	0	0	0	0
Likely	4	1	3	2	0	0
Possible	3	19	24	12	0	0
Unlikely	2	12	40	24	12	2
Rare	1	2	14	8	4	1

Since the last AORC meeting there has been one addition in *residual* risks rated moderate. This is owing to the addition of a new risk with a slightly higher residual risk than the risk that was removed. As indicated below, there are no other changes to ratings.

Risk Acceptance	Feb 2018	Aug 2018	Oct 2018	Change
Low	101	100	100	0
Moderate	72	75	76	+1
High	5	4	4	0
Extreme	0	0	0	0

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of moderate significance in terms of Council's ability to perform its role.

COUNCILLOR/OFFICER CONSULTATION

Consultation has taken place with the Executive Management Group.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer to ensure that there are appropriate risk management systems and procedures in place for the City.

POLICY IMPLICATIONS

This is consistent with Council Policy - CG01 Risk Management Policy and how risk is managed across the organisation.

FINANCIAL IMPLICATIONS

There are no financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2018-2019 provided for this activity:

Program/Services: 4. e.1.3 Risk Management
 Projects/Actions: 4.e.1.3.2 Review Risk Management Systems

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	NA	Nil
Financial	NA	Nil
Service Interruption	NA	Nil
Environment	NA	Nil
Reputation	NA	Nil
Compliance	High	Local Government Audit Regulations require appropriate risk management systems and procedures to be in place. A Risk Register and supporting policy documents ensure that the City is constantly reviewing identified risks and managing them appropriately.

IMPACT ON CAPACITY

There is minimal impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

The Risk Register is reviewed on an ongoing basis.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to DEFER consideration of this matter pending further review.

CONCLUSION

Following a review of the Risk Register, two new risks have been identified bringing the total of identified risks to 180. Overall the City is managing risk effectively with no *residual* risks rated extreme and only 2.2% of *residual* risks rated high. These risks are considered acceptable with some minor work required to enhance some controls to ensure effective management and monitoring of our risks.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : **AOR73**
MOVED : **Cr Scott**
SECONDED: : **Cr Cucel**

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* RESOLVES to NOTE the current status of risk management.

CARRIED

FOR : Cr Smeathers, Cr Cucel, Cr Long, Cr Scott
AGAINST : Nil

CITY OF KARRATHA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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Principal place of business:
Lot 1083 Welcome Road
Karratha, WA 6714

**CITY OF KARRATHA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

**LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Karratha for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the City of Karratha at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed as authorisation of issue on the 19th day of October 2018.



Chris Adams
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	21(a)	40,443,321	40,996,741	40,321,922
Operating grants, subsidies and contributions	2(a)	9,022,035	8,434,803	12,585,500
Fees and charges	2(a)	36,924,677	42,897,865	38,742,227
Interest earnings	2(a)	3,161,870	2,981,447	3,388,999
Other revenue	2(a)	2,744,707	1,396,833	870,139
		92,296,610	96,707,689	95,908,787
Expenses				
Employee costs		(33,781,501)	(32,075,218)	(32,129,380)
Materials and contracts		(35,701,391)	(38,665,055)	(25,426,554)
Utility charges		(5,327,723)	(4,607,136)	(4,422,635)
Depreciation on non-current assets	9(b)	(20,623,163)	(19,004,298)	(19,822,284)
Interest expenses	2(b)	(9,703)	(9,633)	(11,096)
Insurance expenses		(1,610,103)	(1,381,224)	(1,542,885)
Other expenditure		(5,341,372)	(3,383,602)	(3,702,515)
		(102,394,956)	(99,126,166)	(87,057,349)
		(10,098,346)	(2,418,477)	8,851,438
Non-operating grants, subsidies and contributions	2(a)	19,539,454	25,974,052	17,694,443
Profit on asset disposals	9(a)	32,812	9,137	136,141
(Loss) on asset disposals	9(a)	(135,543)	(87,192)	(301,590)
(Loss) on revaluation of Artwork & Sculptures	7(b)	(458,379)	0	0
Net result		8,879,998	23,477,520	26,380,432
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(130,250,998)	0	1,359,928
Total other comprehensive income		(130,250,998)	0	1,359,928
Total comprehensive income		(121,371,000)	23,477,520	27,740,360

This statement is to be read in conjunction with the accompanying notes.

**STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue	2(a)			
Governance		1,957,981	926,883	244,076
General purpose funding		47,678,326	47,797,056	47,856,172
Law, order, public safety		316,215	839,736	846,694
Health		168,645	176,000	244,434
Education and welfare		58,900	58,920	78,900
Housing		552,750	373,083	371,394
Community amenities		10,717,545	12,600,737	11,210,145
Recreation and culture		9,983,013	10,618,346	11,790,086
Transport		19,769,007	22,677,448	22,299,088
Economic services		314,375	319,740	446,502
Other property and services		779,853	319,740	521,296
		92,296,610	96,707,689	95,908,787
Expenses	2(b)			
Governance		(3,508,120)	(3,597,345)	(3,227,145)
General purpose funding		(15,092,234)	(16,434,780)	(4,192,826)
Law, order, public safety		(1,539,300)	(1,585,864)	(1,659,782)
Health		(1,395,095)	(1,266,464)	(1,382,184)
Education and welfare		(204,257)	(197,836)	(126,294)
Housing		(886,745)	(486,407)	(896,329)
Community amenities		(13,224,072)	(14,940,622)	(11,937,029)
Recreation and culture		(32,777,898)	(29,877,642)	(28,998,785)
Transport		(29,347,595)	(28,660,736)	(30,426,805)
Economic services		(1,698,302)	(1,981,195)	(2,105,679)
Other property and services		(2,711,635)	(87,642)	(2,093,395)
		(102,385,253)	(99,116,533)	(87,046,253)
Finance Costs	2(b)			
General purpose funding		(9,703)	(9,633)	(11,096)
		(9,703)	(9,633)	(11,096)
		(10,098,346)	(2,418,477)	8,851,438
Non-operating grants, subsidies and contributions	2(a)	19,539,454	25,974,052	17,694,443
Profit on disposal of assets	9(a)	32,812	9,137	136,141
(Loss) on disposal of assets	9(a)	(135,543)	(87,192)	(301,590)
(Loss) on revaluation of Artwork & Sculptures	7(b)	(458,379)	0	0
		18,978,344	25,895,997	17,528,994
Net result		8,879,998	23,477,520	26,380,432
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(130,250,998)	0	1,359,928
Total other comprehensive income		(130,250,998)	0	1,359,928
Total comprehensive income		(121,371,000)	23,477,520	27,740,360

This statement is to be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	3	62,967,350	85,883,515
Trade and other receivables	5	13,029,111	16,362,715
Inventories	6	401,778	331,953
TOTAL CURRENT ASSETS		76,398,239	102,578,183
NON-CURRENT ASSETS			
Other receivables	5	1,162,811	1,418,286
Inventories	6	524,251	524,439
Property, plant and equipment	7	252,134,205	221,149,235
Investment Property	7(d)	20,004,800	20,004,800
Infrastructure	8	403,519,220	527,954,653
TOTAL NON-CURRENT ASSETS		677,345,287	771,051,413
TOTAL ASSETS		753,743,526	873,629,596
CURRENT LIABILITIES			
Trade and other payables	11	11,824,063	10,943,412
Current portion of long term borrowings	12(a)	81,408	64,664
Provisions	13	4,088,932	3,512,846
TOTAL CURRENT LIABILITIES		15,994,403	14,520,922
NON-CURRENT LIABILITIES			
Long term borrowings	12(a)	346,453	347,849
Provisions	13	761,567	748,722
TOTAL NON-CURRENT LIABILITIES		1,108,020	1,096,571
TOTAL LIABILITIES		17,102,423	15,617,493
NET ASSETS		736,641,103	858,012,103
EQUITY			
Retained surplus		432,129,810	399,026,989
Reserves - cash backed	4	61,497,864	85,720,687
Revaluation surplus	10	243,013,429	373,264,427
TOTAL EQUITY		736,641,103	858,012,103

This statement is to be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018**

		RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
	NOTE	\$	\$	\$	\$
Balance as at 1 July 2016		365,330,649	92,784,461	372,156,633	830,271,743
Comprehensive income					
Net result		26,380,432	0	0	26,380,432
Changes on revaluation of assets	10	0	0	1,359,928	1,359,928
Total comprehensive income		26,380,432	0	1,359,928	27,740,360
Transfers from/(to) reserves		7,315,908	(7,063,774)	(252,134)	0
Balance as at 30 June 2017		399,026,989	85,720,687	373,264,427	858,012,103
Comprehensive income					
Net result		8,879,998	0	0	8,879,998
Changes on revaluation of assets	10	0	0	(130,250,998)	(130,250,998)
Total comprehensive income		8,879,998	0	(130,250,998)	(121,371,000)
Transfers from/(to) reserves	4	24,222,823	(24,222,823)	0	0
Balance as at 30 June 2018		432,129,810	61,497,864	243,013,429	736,641,103

This statement is to be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		40,365,712	40,996,741	39,719,071
Operating grants, subsidies and contributions		13,918,392	12,465,672	15,655,651
Fees and charges		36,924,679	42,897,865	38,742,227
Service charges		0	0	0
Interest earnings		3,161,870	2,981,447	3,388,999
Goods and services tax		(1,257,240)	0	0
Other revenue		2,744,707	1,396,833	870,139
		95,858,120	100,738,558	98,376,087
Payments				
Employee costs		(33,190,663)	(32,075,218)	(32,251,728)
Materials and contracts		(34,892,516)	(40,285,253)	(24,191,216)
Utility charges		(5,327,723)	(4,607,136)	(4,422,635)
Interest expenses		(9,673)	(9,633)	(11,223)
Insurance expenses		(1,610,103)	(1,381,224)	(1,542,885)
Goods and services tax		9	0	(591,487)
Other expenditure		(5,341,372)	(3,383,602)	(3,702,515)
		(80,372,041)	(81,742,066)	(66,713,689)
Net cash provided by (used in) operating activities	14	15,486,079	18,996,492	31,662,398
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of Land held for resale		188	0	0
Payments for purchase of property, plant & equipment	7	(39,227,461)	(48,158,810)	(27,050,996)
Payments for purchase of investment property		0	0	(20,004,800)
Payments for construction of infrastructure	8	(19,268,599)	(17,741,217)	(14,440,953)
Advances to community groups		0	0	0
Non-operating grants, subsidies and contributions	2(a)	19,539,454	25,974,052	17,694,443
Proceeds from sale of fixed assets	9(a)	511,254	476,003	1,377,127
Proceeds from disposal of investments		0	0	0
Proceeds from advances		0	0	0
Net cash provided by (used in) investment activities		(38,445,164)	(39,449,972)	(42,425,179)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings	12(a)	(64,652)	(64,664)	(63,103)
Proceeds from self supporting loans		27,572	66,360	134,140
Proceeds from new long term borrowings		80,000	0	0
Net cash provided by (used in) financing activities		42,920	1,696	71,037
Net increase (decrease) in cash held		(22,916,165)	(20,451,784)	(10,691,744)
Cash at beginning of year		85,883,515	89,139,525	96,575,259
Cash and cash equivalents at the end of the year	14	62,967,350	68,687,741	85,883,515

This statement is to be read in conjunction with the accompanying notes.

**RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018**

NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
OPERATING ACTIVITIES			
Restricted surplus/(deficit) b/fwd - Airport Funds	0	0	3,958,660
Restricted surplus/(deficit) b/fwd - Pilbarra Underground	4,672,754	4,603,608	7,905,744
Unrestricted surplus/(deficit) b/fwd	2,364,705	490,434	1,800,787
Net current assets at start of financial year - surplus/(deficit)	7,037,459	5,094,042	13,665,191
Revenue from operating activities (excluding rates)			
Governance	1,980,286	926,883	253,469
General purpose funding	7,235,005	6,800,315	7,537,816
Law, order, public safety	319,013	841,918	850,417
Health	168,714	176,000	244,434
Education and welfare	58,900	58,920	78,900
Housing	552,750	373,083	455,498
Community amenities	10,717,606	12,603,305	11,216,157
Recreation and culture	9,984,127	10,621,310	11,797,044
Transport	19,775,423	22,678,721	22,321,473
Economic services	314,375	319,740	446,502
Other property and services	779,902	319,890	521,296
	51,886,101	55,720,085	55,723,006
Expenditure from operating activities			
Governance	(3,502,305)	(3,597,345)	(3,227,145)
General purpose funding	(15,101,937)	(16,444,413)	(4,203,922)
Law, order, public safety	(1,553,956)	(1,589,046)	(1,659,782)
Health	(1,395,095)	(1,266,464)	(1,382,184)
Education and welfare	(204,257)	(197,836)	(126,294)
Housing	(886,745)	(486,407)	(896,329)
Community amenities	(13,288,869)	(15,015,167)	(12,084,040)
Recreation and culture	(32,824,361)	(29,883,773)	(29,140,579)
Transport	(29,363,037)	(28,664,070)	(30,439,070)
Economic services	(1,698,302)	(1,981,195)	(2,105,679)
Other property and services	(3,170,014)	(87,642)	(2,093,915)
	(102,988,878)	(99,213,358)	(87,358,939)
Operating activities excluded			
(Profit) on disposal of assets	9(a) (32,812)	(9,137)	(136,141)
Loss on disposal of assets	9(a) 135,543	87,192	301,590
Loss on revaluation of fixed assets	8(b) 458,379	0	0
Movement in accrued salaries and wages	0	0	84,282
Movement in employee benefit provisions (non-current)	12,845	(100,403)	(95,368)
Depreciation and amortisation on assets	9(b) 20,623,163	19,004,298	19,822,284
Amount attributable to operating activities	(22,868,200)	(19,417,281)	2,005,905
INVESTING ACTIVITIES			
Non-operating grants, subsidies and contributions	19,539,454	25,974,052	17,694,443
Proceeds from disposal of assets	9(a) 511,254	476,003	1,377,127
Purchase of land held for resale	188	0	0
Purchase of property, plant and equipment	7(b) (39,227,461)	(48,158,810)	(27,050,996)
Purchase of investment property	0	0	(20,004,800)
Purchase and construction of infrastructure	8(b) (19,268,599)	(17,741,217)	(14,440,953)
Amount attributable to investing activities	(38,445,164)	(39,449,972)	(42,425,179)
FINANCING ACTIVITIES			
Repayment of long term borrowings	12(a) (64,652)	(64,664)	(63,103)
Proceeds from new long term borrowings	12(b) 80,000	0	0
Repayment of self supporting loans	27,572	66,360	134,140
Transfers to reserves (restricted assets)	4 (23,562,863)	(25,031,224)	(38,527,996)
Transfers from reserves (restricted assets)	4 47,785,686	44,867,321	45,591,770
Amount attributable to financing activities	24,265,743	19,837,793	7,134,811
Surplus(deficiency) before general rates	(37,047,621)	(39,029,460)	(33,284,463)
Total amount raised from general rates	21 40,443,321	40,996,741	40,321,922
Restricted surplus/(deficit) June 30 c/fwd - Pilbara Underground Power	831,611	1,034,749	4,672,754
Net current assets at June 30 c/fwd - surplus/(deficit)	22 2,564,089	932,532	2,364,705

This statement is to be read in conjunction with the accompanying notes.

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities and to the extent they are not in-consistent with the *Local Government Act 1995* and accompanying regulations.), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations. Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the City controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated.

All monies held in the trust fund are excluded from the financial statements. A separate statement of those monies appears at Note 24 to these financials.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Land under roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in *Australian Accounting Standard AASB 1051 Land Under Roads* and the fact *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, *Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the City.

2. REVENUE AND EXPENSES

(a) Revenue

Other revenue

Other

Fees and Charges

Governance
General purpose funding
Law, order, public safety
Health
Education and welfare
Housing
Community amenities
Recreation and culture
Transport
Economic services
Other property and services

2018 Actual	2017 Actual
\$	\$
2,744,707	870,139
2,744,707	870,139
103,443	189,943
1,595,575	574,131
89,548	91,996
153,848	162,113
58,900	58,900
552,750	371,393
10,293,738	10,994,898
4,401,677	3,841,053
19,301,941	21,934,234
309,375	416,102
63,882	107,464
36,924,677	38,742,227

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

Grant Revenue

Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:

Operating grants, subsidies and contributions

Governance
General purpose funding
Law, order, public safety
Health
Education and welfare
Community amenities
Recreation and culture
Transport
Economic services

Non-operating grants, subsidies and contributions

Law, order, public safety
Community amenities
Recreation and culture
Transport

2018	2017
\$	\$
717,459	15,510
2,481,678	3,497,180
174,569	701,088
14,798	82,321
0	20,000
149,524	76,309
5,190,523	7,913,363
288,484	249,329
5,000	30,400
9,022,035	12,585,500
0	29,032
940,407	394,971
16,731,654	14,000,435
1,867,393	3,270,005
19,539,454	17,694,443
28,561,489	30,279,943

Total grants, subsidies and contributions

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Interest earnings

- Loans receivable - clubs/institutions
 - Reserve funds
 - Other funds
- Other interest revenue (refer note 21(e))

Grants, Donations and Other Contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations.

2018 Actual	2018 Budget	2017 Actual
\$	\$	\$
1,900,167	2,234,287	2,492,260
432,194	330,160	392,371
829,509	417,000	504,368
3,161,870	2,981,447	3,388,999

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other Services

Interest expenses (finance costs)

Long term borrowings (refer Note 12(a))

2018	2017
\$	\$
35,896	33,120
5,210	18,782
41,106	51,902
9,703	11,096
9,703	11,096

3. CASH AND CASH EQUIVALENTS

	NOTE	2018 \$	2017 \$
Cash on Hand		17,805	13,370
Cash at Municipal Bank		1,440,158	128,614
Restricted - Municipal (Unspent Grants/Contributions)		11,523	20,844
Restricted - Reserves		61,497,864	85,720,687
		62,967,350	85,883,515
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Aerodrome Reserve	4	4,294,420	6,586,617
Carry Forward Budget Reserve	4	1,765,785	1,821,785
Community Development Reserve	4	1,307,489	1,209,141
Dampier Drainage Reserve	4	10,488	10,231
Economic Development Reserve	4	1,264,157	1,233,206
Employee Entitlement Reserve	4	4,853,471	4,261,568
Infrastructure Reserve	4	15,177,939	22,253,785
Medical Services Assistance Package Reserve	4	386,352	376,893
Mosquito Control Reserve	4	8,491	7,726
Partnership Reserve	4	8,651,358	12,726,119
Pilbara Underground Power Reserve	4	0	10,605,852
Plant Replacement Reserve	4	837,194	816,697
Restricted Funds Reserve	4	417,024	431,127
Walkington Theatre Reserve	4	31,817	31,038
Waste Management Reserve	4	21,955,873	22,826,019
Workers Compensation Reserve	4	536,006	522,883
		61,497,864	85,720,687

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk

Cash and cash equivalents (Continued)

of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Aerodrome Reserve	6,586,617	160,266	(2,452,463)	4,294,420	6,783,735	169,869	(3,861,917)	3,091,687	1,880,596	4,706,021	0	6,586,617
Carry Forward Budget Reserve	1,821,785	1,275,156	(1,331,156)	1,765,785	1,487,874	0	(1,217,156)	270,718	176,718	1,760,717	(115,650)	1,821,785
Community Development Reserve	1,209,141	98,348	0	1,307,489	1,590,726	41,873	0	1,632,599	1,546,930	43,950	(381,739)	1,209,141
Dampier Drainage Reserve	10,231	257	0	10,488	20,259	10,555	0	30,814	10,000	231	0	10,231
Economic Development Reserve	1,233,206	30,951	0	1,264,157	1,228,547	32,399	0	1,260,946	0	1,233,206	0	1,233,206
Employee Entitlement Reserve	4,261,568	591,903	0	4,853,471	4,589,359	120,781	0	4,710,140	4,464,248	126,605	(329,285)	4,261,568
Housing Reserve	0	0	0	0	0	0	0	0	322,363	6,980	(329,343)	0
Infrastructure Reserve	22,253,785	12,538,929	(19,614,775)	15,177,939	21,363,811	14,146,919	(16,001,248)	19,509,482	40,398,805	15,676,785	(33,821,805)	22,253,785
Medical Services Assistance												
Package Reserve	376,893	9,459	0	386,352	376,420	9,914	0	386,334	365,798	11,095	0	376,893
Mosquito Control Reserve	7,726	765	0	8,491	7,725	774	0	8,499	6,964	762	0	7,726
Partnership Reserve	12,726,119	5,909,384	(9,984,145)	8,651,358	11,772,916	4,722,090	(8,498,582)	7,996,424	10,831,493	7,706,144	(5,811,518)	12,726,119
Pilbara Underground Power Reserve	10,605,852	2,343,122	(12,948,974)	0	11,066,036	3,917,156	(14,852,418)	130,774	10,846,737	3,759,115	(4,000,000)	10,605,852
Plant Replacement Reserve	816,697	20,497	0	837,194	910,982	22,889	(436,000)	497,871	1,323,200	21,009	(527,512)	816,697
Restricted Funds Reserve	431,127	0	(14,103)	417,024	445,982	0	0	445,982	270,982	185,063	(24,918)	431,127
Walkington Theatre Reserve	31,038	779	0	31,817	31,065	818	0	31,883	30,261	777	0	31,038
Waste Management Reserve	22,826,019	569,924	(1,440,070)	21,955,873	22,779,216	1,821,426	0	24,600,642	19,559,366	3,266,653	0	22,826,019
Workers Compensation Reserve	522,883	13,123	0	536,006	522,612	13,761	0	536,373	750,000	22,883	(250,000)	522,883
	85,720,687	23,562,863	(47,785,686)	61,497,864	84,977,265	25,031,224	(44,867,321)	65,141,168	92,784,461	38,527,996	(45,591,770)	85,720,687

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

4. RESERVES - CASH BACKED (CONTINUED)

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
Aerodrome Reserve	Ongoing	The purpose of this reserve is to fund the development, operation and maintenance of the Karratha Airport, inclusive of any repayments of borrowings and the funding of employee entitlements.
Carry Forward Budget Reserve	Ongoing	This reserve is for the purpose of preserving projects funds carried over.
Community Development Reserve	Ongoing	The purpose of this reserve is to hold Annual Community Association Grant Scheme unspent payments each year and to fund future projects initiated by Community Associations from time to time via the Annual Community Association Grant Scheme.
Dampier Drainage Reserve	Ongoing	This reserve is maintained as part of an agreement between the Council and Hamersley Iron. The purpose of the reserve is to ensure funds are available for the maintenance of drainage in Dampier. Hamersley Iron pay to the Council each year a \$10,000 contribution towards this maintenance with any additional works required being drawn from this reserve and similarly, any funds remaining unspent being transferred to this reserve.
Economic Development Reserve	Ongoing	To fund economic development activities within the City, including Destination Marketing, Business Attraction, Property Development and Tourism.
Employee Entitlement Reserve	Ongoing	To fund employee leave entitlements when on extended leave, including long service leave as well as periods of Annual Leave for periods greater than 4 weeks duration thereby retaining salary and wages budgets for the funding of replacement staffing during extended periods of leave.
Housing Reserve	Reserve closed 2017	The purpose of this reserve was to fund the maintenance, refurbishment, replacement and construction of staff housing inclusive of the purchase. This reserve is funded by annual allocations from the Municipal Fund and from sale of Staff Housing. This reserve has been assessed as no longer required and the remainder of these funds were transferred to municipal funds during the 2016/17 Financial Year.
Infrastructure Reserve	Ongoing	The purpose of this reserve is to allow for the use of these reserve funds for the enhancement, replacement, refurbishment and purchase of infrastructure assets or project works of the City of Karratha inclusive of the associated repayment of borrowings on infrastructure. Project works funded from this Reserve may not necessarily belong to the City of Karratha but must be carried out for the benefit of the City of Karratha.
Medical Services Assistance Package Reserve	Ongoing	The purpose of this reserve is to fund future assistance to Medical Services in accordance with Council's participation in the Medical Services Incentive Scheme. This is inclusive of retention payments to General Practitioner's in accordance with the Medical Services Incentive Scheme.
Mosquito Control Reserve	Ongoing	The purpose of this reserve is to fund mosquito control programmes inclusive of the purchase of replacement equipment as required.
Partnership Reserve	Ongoing	This reserve is maintained as part of the Community Infrastructure and Services Partnership (the Partnership) and the related funding agreements between the Council and Rio Tinto Iron Ore. The purpose of the reserve is to preserve funds received under each funding agreement under the Partnership and restrict the funds for the purpose of each funding agreements.
Pilbara Underground Power Reserve	2018	The purpose of this reserve is to secure the unspent portions pertaining to the City of Karratha's share of costs in relation to the Pilbara Underground Power Project. The final payment for the Pilbara Underground Power Project was made to Horizon Power at the end of June 2018.
Plant Replacement Reserve	Ongoing	The purposes of this reserve is to fund the capital purchase of plant and equipment.
Restricted Funds Reserve	Ongoing	This reserve is for the purpose of holding unexpended or prepaid Grants (other than Royalties for Regions) and Capital Contributions provided for specific purposes.
Walkington Theatre Reserve	Ongoing	The purpose of this reserve was to fund the operation and capital works of the Walkington Theatre.
Waste Management Reserve	Ongoing	The purpose of this reserve is to fund development, operation and maintenance of the Council's Waste Management facilities inclusive of repayments of borrowings and the funding of employee entitlements.
Workers Compensation Reserve	Ongoing	The purpose of this reserve is to provide Council with sufficient funds to cover its potential liability in regard to the performance based workers compensation scheme of Local Government Insurance Services of which the City of Karratha is a member.

5. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding
GST receivable
Loans receivable - clubs/institutions
Other Bonds
- Service Charge
- Rubbish
- Fees and Charges for Services
- Private Works
- Income from Property
- Aerodrome
- Grants and Contributions
- Reimbursements and General
- Excess Rates Receipts
Staff Housing Bonds
Pensioner Rebates
Accrued Income
Prepayments
Less Provision for Doubtful Debts

Non-current

Loans receivable - clubs/institutions
Service Charge

Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Includes:

Past due and not impaired

Includes:

Past due and not impaired

2018	2017
\$	\$
2,990,653	2,913,044
2,387,509	1,130,269
20,115	6,163
1,950	1,900
1,508,871	3,627,192
729,773	1,437,883
190,052	207,589
3,581	7,746
440,920	296,896
2,080,375	3,845,818
2,843,219	2,468,448
194,672	204,772
(397,585)	(311,653)
0	2,400
791	814
1,334,793	587,160
55,253	239,456
(1,355,831)	(303,182)
13,029,111	16,362,715
331,200	372,724
831,611	1,045,562
1,162,811	1,418,286
2,990,653	2,913,044
949,685	2,074,649

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

Classification and subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

6. INVENTORIES

Current

Fuel and Materials	
Corporate Uniforms	
Food, Drinks & Merchandise Roebourne Aquatic Centre	
Food, Drinks & Merchandise Youth Shed	
Food, Drinks & Merchandise Wickham Recreation Precinct	
Food, Drinks & Merchandise Karratha Leisureplex	
Food, Drinks & Merchandise Red Earth Arts Precinct	

Non-current

Land held for resale - cost	
Cost of acquisition	

2018	2017
\$	\$
347,611	293,154
23,133	27,113
408	506
5,920	6,189
2,183	3,651
2,519	1,340
20,004	0
401,778	331,953
524,251	524,439
524,251	524,439

SIGNIFICANT ACCOUNTING POLICIES

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

Land held for sale (Continued)

Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for sale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 2	33,854,150	33,854,150
- Additions after valuation - cost	582,825	0
- Impairment	(23,806,083)	(23,806,083)
	10,630,892	10,048,067
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 2	564,454	564,454
	564,454	564,454
Total land	11,195,346	10,612,521
Buildings at:		
- Independent valuation 2017 - level 3	205,464,931	207,194,605
- Impairment	(7,918,078)	(7,918,078)
- Additions after valuation - cost	49,894,489	0
Less: accumulated depreciation	(29,743,088)	(25,680,423)
	217,698,254	173,596,104
Total buildings	217,698,254	173,596,104
Total land and buildings	228,893,600	184,208,625
Furniture and equipment at:		
- Management valuation 2016 - level 3	1,779,566	1,792,388
- Additions after valuation - cost	2,040,414	258,761
Less: accumulated depreciation	(1,011,533)	(613,719)
	2,808,447	1,437,430
Plant at:		
- Independent valuation 2016 - level 1	5,323,807	6,029,518
- Management valuation 2016 - level 3	66,198	66,198
- Additions after valuation - cost	3,012,949	826,966
Less: accumulated depreciation	(1,309,787)	(631,944)
	7,093,167	6,290,738
Equipment at:		
- Independent valuation 2016 - level 1	150,296	152,203
- Management valuation 2016 - level 3	373,523	373,523
- Additions after valuation - cost	292,107	132,256
Less: accumulated depreciation	(310,244)	(128,773)
	505,682	529,209
Artwork & Sculptures at:		
- Management valuation 2015 - level 3	0	864,050
- Independent valuation 2018 - level 3	1,988,450	0
- Management valuation 2018 - level 3	39,215	0
- Additions after valuation - cost	0	210,990
Less: accumulated depreciation	0	(43,251)
	2,027,665	1,031,789
Works in Progress	10,805,644	27,651,444
	10,805,644	27,651,444
Total property, plant and equipment	252,134,205	221,149,235

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land - freehold land \$	Land - vested in and under the control of Council \$	Total land \$	Buildings \$	Total land and buildings \$	Furniture and equipment \$	Plant \$	Equipment \$	Artwork & Sculptures \$	Works in Progress \$	Total property, plant and equipment \$
Balance at 1 July 2016	10,369,491	564,454	10,933,945	113,827,160	124,761,105	1,472,822	7,072,331	530,567	1,040,344	57,301,305	192,178,474
Additions	700,121	0	700,121	54,768,753	55,468,874	258,761	826,966	132,256	14,000	(29,649,861)	27,050,996
(Disposals)	(185,745)	0	(185,745)	(375,588)	(561,333)	(1,164)	(937,182)	(3,668)	(1,164)		(1,504,511)
Revaluation increments/ (decrements) transferred to revaluation	(835,800)	0	(835,800)	9,631,388	8,795,588	0	0	0	0	0	8,795,588
Depreciation (expense)	0	0	0	(4,152,765)	(4,152,765)	(292,989)	(671,377)	(129,946)	(21,391)	0	(5,268,468)
Transfers	0	0	0	(102,844)	(102,844)	0	0	0	0	0	(102,844)
Carrying amount at 30 June 2017	10,048,067	564,454	10,612,521	173,596,104	184,208,625	1,437,430	6,290,738	529,209	1,031,789	27,651,444	221,149,235
Additions	582,825	0	582,825	49,894,489	50,477,314	1,781,653	2,170,501	159,851	1,483,942	(16,845,800)	39,227,461
(Disposals)	0	0	0	0	0	(12,822)	(574,868)	(2,340)	(565)	0	(590,595)
Revaluation increments/ (decrements) transferred to revaluation	0	0	0	(1,143,506)	(1,143,506)	0	0	0	0	0	(1,143,506)
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0		0	0	0	0	(458,379)	0	(458,379)
Depreciation (expense)	0	0	0	(4,193,158)	(4,193,158)	(397,814)	(793,204)	(181,038)	(29,122)	0	(5,594,336)
Transfers	0	0	0	(455,675)	(455,675)	0	0	0	0	0	(455,675)
Carrying amount at 30 June 2018	10,630,892	564,454	11,195,346	217,698,254	228,893,600	2,808,447	7,093,167	505,682	2,027,665	10,805,644	252,134,205

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market Approach using recent observable market data for similar properties	Independent Valuation	June 2017	Comparable market values
Land - vested in and under the control of Council	2	Market Approach using recent observable market data for similar properties	Independent Valuation	June 2017	Comparable market values
Buildings	3	Cost Approach using depreciated replacement cost	Independent Valuation	June 2017	Replacement cost and remaining estimated useful life
Furniture and equipment	3	Cost Approach using depreciated replacement cost	Management Valuation	June 2016	Residual values and remaining estimated useful life
Plant					
- Independent valuation 2016	1	Market Approach	Independent Valuation	June 2016	Measurements based on quoted prices in active markets for identical assets
- Management valuation 2016	3	Cost Approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Equipment					
- Independent valuation 2016	1	Market Approach	Independent Valuation	June 2016	Measurements based on quoted prices in active markets for identical assets
- Management valuation 2016	3	Cost Approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Artwork & Sculptures	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Current condition and comparable market values achieved at auction houses and contact with artists

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

7. PROPERTY, PLANT AND EQUIPMENT

(d) Investment Property

	2018	2017
	\$	\$
Investment Property at:		
Balance at the beginning of the year	20,004,800	
Acquisitions	0	20,004,800
Fair value adjustments	0	0
Balance at end of the year	20,004,800	20,004,800
Total Investment Property	20,004,800	20,004,800

(e) Movements in Carrying Amounts

Movement in the carrying amounts between the beginning and the end of the current financial year.

	Balance at the Beginning of the Year \$	Additions \$	Fair Value Adjustments \$	Balance at the End of the Year \$
Investment Property	20,004,800	0	0	20,004,800
Total Investment Property	20,004,800	0	0	20,004,800

(f) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Investment Property	2	Market Approach	Management Valuation	June 2018	Purchase price plus costs associated with purchase.

The Quarter HQ was purchased in June 2017 and as at 30 June 2017 the purchase price of \$20,004,800 was considered fair value. While there has been no sale of comparable properties during the last quarter the data shows that the market has stabilised in terms of sale price, therefore the purchase price has been considered fair value.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

8 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Management valuation 2015 - level 3	0	357,790,190
- Independent valuation 2018 - level 3	241,004,169	0
- Management valuation 2018 - level 3	21,617,408	0
- Additions after valuation - cost	152,115	7,130,274
Less: accumulated depreciation	(37,814,280)	(17,749,786)
	<u>224,959,412</u>	<u>347,170,678</u>
Infrastructure - Footpaths		
- Management valuation 2015 - level 3	0	30,919,410
- Independent valuation 2018 - level 3	48,714,386	0
- Management valuation 2018 - level 3	1,405,236	0
- Additions after valuation - cost	0	707,291
Less: accumulated depreciation	(12,638,080)	(1,740,812)
	<u>37,481,542</u>	<u>29,885,889</u>
Infrastructure - Drainage		
- Independent valuation 2015 - level 3	0	1,576,431
- Independent valuation 2018 - level 3	21,518,963	0
- Management valuation 2018 - level 3	163,787	0
- Additions after valuation - cost	0	160,553
Less: accumulated depreciation	(4,037,297)	(42,572)
	<u>17,645,453</u>	<u>1,694,412</u>
Infrastructure - Parks, Recreation and Open Space		
- Independent valuation 2015 - level 3	0	4,508,815
- Independent valuation 2018 - level 3	45,486,693	0
- Management valuation 2018 - level 3	18,819,795	0
- Additions after valuation - cost	0	527,783
Less: accumulated depreciation	(15,698,667)	(499,699)
	<u>48,607,821</u>	<u>4,536,899</u>
Infrastructure - Hardcourt Facilities		
- Independent valuation 2015 - level 3	0	7,157,891
- Additions after valuation - cost	0	755,456
Less: accumulated depreciation	0	(598,894)
	<u>0</u>	<u>7,314,453</u>
Infrastructure - Bridges & Culverts		
- Independent valuation 2015 - level 3	0	26,453,860
- Additions after valuation - cost	0	400,793
Less: accumulated depreciation	0	(1,001,194)
	<u>0</u>	<u>25,853,459</u>
Infrastructure - Boat Ramps & Jetties		
- Independent valuation 2015 - level 3	0	3,663,268
- Additions after valuation - cost	0	1,031,066
Less: accumulated depreciation	0	(210,010)
	<u>0</u>	<u>4,484,324</u>
Infrastructure - Aerodromes		
- Independent valuation 2015 - level 3	0	65,782,279
- Independent valuation 2018 - level 3	78,297,306	0
- Additions after valuation - cost	0	8,486
Less: accumulated depreciation	(19,073,807)	(4,335,640)
	<u>59,223,499</u>	<u>61,455,125</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

8 (a). INFRASTRUCTURE (Conitnued)

	2018	2017
	\$	\$
Infrastructure - Miscellaneous Structures		
- Independent valuation 2015 - level 3	0	17,628,171
- Independent valuation 2018 - level 3	8,852,800	0
- Management valuation 2018 - level 3	177,097	0
- Additions after valuation - cost	0	5,780,871
Less: accumulated depreciation	(4,945,168)	(2,375,437)
	4,084,729	21,033,605
 Works in Progress	 11,516,764	 24,525,809
	11,516,764	24,525,809
 Total infrastructure	 403,519,220	 527,954,653

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks, Recreation and Open Space	Infrastructure - Hardcourt Facilities	Infrastructure - Bridges & Culverts	Infrastructure - Boat Ramps & Jetties	Infrastructure - Aerodromes	Infrastructure - Miscellaneous Structures	Infrastructure - Works in Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	350,402,216	30,123,394	1,556,118	4,371,371	7,176,657	25,955,963	3,973,027	63,611,493	17,178,006	31,090,152	535,438,397
Additions	5,867,473	644,851	160,553	422,459	443,386	400,793	621,591	7,317,925	5,126,265	(6,564,343)	14,440,953
(Disposals)	0	0	0	0	0	0	0	0	(38,065)	0	(38,065)
Revaluation increments / (Decrements) transferred to revaluation	(126,221)	0	0	0	0	0	0	(7,309,439)	0	0	(7,435,660)
Reversals through profit or loss											0
Impairment (Losses)/Reversals											0
Depreciation (Expense)	(8,972,790)	(882,356)	(22,259)	(256,931)	(305,590)	(503,297)	(110,294)	(2,164,854)	(1,335,445)	0	(14,553,816)
Transfers	0	0	0	0	0	0	0	0	102,844	0	102,844
Carrying amount at 30 June 2017	347,170,678	29,885,889	1,694,412	4,536,899	7,314,453	25,853,459	4,484,324	61,455,125	21,033,605	24,525,809	527,954,653
Additions	10,654,926	2,678,751	299,302	17,965,651	0	0	0	13,292	826,764	(13,170,087)	19,268,599
(Disposals)	(4,072)	0	0	(14,736)	0	0	0	0	(4,582)	0	(23,390)
Revaluation increments / (Decrements) transferred to revaluation	(125,804,851)	3,915,264	(5,616,098)	(292,502)	0	0	0	(79,766)	(1,390,579)	161,042	(129,107,490)
Reversals through profit or loss	0	0	0	0	0	0	0	0	0	0	0
Impairment (Losses)/Reversals	0	0	0	0	0	0	0	0	0	0	0
Depreciation (Expense)	(9,337,468)	(1,004,825)	(394,637)	(1,793,526)	0	0	0	(2,165,652)	(332,719)	0	(15,028,827)
Transfers	2,280,199	2,006,463	21,662,474	28,206,035	(7,314,453)	(25,853,459)	(4,484,324)	500	(16,047,760)		455,675
Carrying amount at 30 June 2018	224,959,412	37,481,542	17,645,453	48,607,821	0	0	0	59,223,499	4,084,729	11,516,764	403,519,220

During the financial year the following Infrastructure Sub Classes were reclassified in order to simplify the asset structure

- Infrastructure - Hardcourt Facilities
Reclassified to Parks, Recreation and Open Space
- Infrastructure - Bridges & Culverts
Reclassified to Roads, Footpaths and Drainage
- Infrastructure - Boats Ramps & Jetties
Reclassified to Parks, Recreation and Open Space

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks, Recreation and Open Space	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Aerodromes	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Miscellaneous Structures	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land under control

In accordance with Local Government (Financial Management) Regulation 16(a)(ii), the City was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

Land under roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the City.

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
40000479 - P1053 - Toyota Landcruiser	28,696	51,000.00	22,304	0	22,000	22,000	0	0
Reversal of asset 30001526 Black Wool								
Drapes disposal	(5,815)			5,815	0	0	0	0
Law, order, public safety								
20000633 - P3021 Pressure Cleaner	0	91	91	0	13,221	15,403	2,182	0
40000519 - P1068 Toyota Hilux	18,202	20,909	2,707	0	0	0	0	0
P1057 2013 Holden Colorado	25,406	10,750		(14,656)	18,182	15,000	0	(3,182)
Health								
P4032 Blower	0	69	69	0	0	0	0	0
Community amenities								
40000335 - P8001 Excavator	97,970	74,591	0	(23,379)	91,818	90,000	0	(1,818)
40000487 - P8013 Bulldozer	256,836	220,000	0	(36,836)	192,727	120,000	0	(72,727)
P8012 - Komatsu WA250PZ 6 Pin on								
Wheel Loader	0	0	0	0	98,000	100,000	2,000	0
P4025 - Tank & Pump Assembly 1100								
Ltr Tank With Aussie QP2055L/GX200E	0	0	0	0	182	750	568	0
20000611 - P5030 Brushcutter	27	55	28	0	0	0	0	0
20000612 - P5031 Brushcutter	27	60	33	0	0	0	0	0
Recreation and culture								
40000501 - P1065 Toyota Corolla	10,169	9,500	0	(669)	8,636	7,500	0	(1,136)
40000497 - P1064 Subaru Forrester	13,198	11,450	0	(1,748)	9,000	10,000	1,000	0
300000719 - DVD Stand	60	0	0	(60)	0	0	0	0
40000513 - P1062 Toyota Corolla	10,371	9,250	0	(1,121)	0	0	0	0
30001522 - Various Minor Assets	635	0	0	(635)	1,150	1,150	0	0
30001523 - Bunting and Frames	2,901	0	0	(2,901)	0	0	0	0
30001524 - Heavy Duty Fairy Lights	1,325	0	0	(1,325)	0	0	0	0
40000352 - P7500 Mower	14,156	6,000	0	(8,156)	0	0	0	0
40000507 - P2035 Toyota Hilux	12,020	11,500	0	(520)	8,636	10,000	1,364	0
P4033 Vacuum	0	282	282	0	0	500	500	0
P3013 High Pressure Cleaner	0	3	3	0	0	100	100	0
P5056 Brushcutter	0	45	45	0	0	0	0	0
P5041 Brushcutter	0	45	45	0	0	0	0	0
P5027 Chainsaw	0	56	56	0	0	0	0	0
P5059 Pruner	0	246	246	0	0	0	0	0
P4042 Blower	0	9	9	0	0	0	0	0
P5058 Pruner	0	292	292	0	0	0	0	0
P4041 Blower	0	46	46	0	0	0	0	0
P4044 Blower	0	45	45	0	0	0	0	0
P4045 Blower	0	45	45	0	0	0	0	0
P3011 Spitwater 11-140P with 10M Hose								
and SWA97-A Turbo Lance	351	182	0	(169)	400	200	0	(200)
20000659 - P4039 Aussie Pump								
QP303/L70E with hose reel & kit,	0	0	0	0	500	250	0	(250)
P2034 2012 Holden Colorado LX	16,864	10,909	0	(5,955)	20,545	16,000	0	(4,545)
30001557 - Circulation Desk	4,662	0	0	(4,662)	0	0	0	0
30001581 - 3 & 2 Seater Lounge	2,128	0	0	(2,128)	0	0	0	0
30001511 - Dehumidifier	734	0	0	(734)	0	0	0	0
30001577 - Projector	378	0	0	(378)	0	0	0	0

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

Plant and Equipment (Continued)

Transport

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
20000556 - P4011 Plate Compactor	68	0	0	(68)	0	0		
40000360 - P8003 Loader	31,645	25,091	0	(6,554)	29,545	30,000	455	0
40000483 - P1043 Suzuki Swift	7,773	7,750	0	(23)	9,879	7,000	0	(2,879)
40000506 - P2031 Holden Colorado	15,605	11,750	0	(3,855)	17,500	18,000	500	0
P3012					318	500	182	0
40000514 - P1059 Toyota Corolla	10,371	9,500	0	(871)	0	0		
P4092 Blower	0	9	9	0	0	0		
20000555 - P4010 Plate Compactor	59	118	59	0	0	0		
40000468 - P1020 Toyota Hilux 4x4	11,400	15,453	4,053	0	10,455	10,000	0	(455)
P5065 Hedge Trimmer	0	173	173	0	0	0		
P4051 Blower	0	45	45	0	0	0		
20000626 - P5048 Brushcutter	0	45	45	0	0	0		
20000581 - P3003 Pressure Cleaner	55	91	36	0	0	0		
20000447 - P498 Line Marker	1,753	3,750	1,997	0	1,364	1,500	136	0
Other property and services								
P3042 Blower	0	19	19	0	0	0	0	0
P694 Brushcutter	0	30	30	0	0	150	150	0
	590,030	511,254	32,812	(111,588)	554,058	476,003	9,137	(87,192)

Artwork

Recreation and culture

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Artwork - Old Wittenoom After as a Mine Site	283	0	0	(283)	0	0	0	0
Artwork - Old Wittenoom Before as a Mine Site	282	0	0	(282)	0	0	0	0
	565	0	0	(565)	0	0	0	0

Infrastructure

WTF0017 Gap Ridge Effluent System

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Chlorination Module	4,582	0	0	(4,582)	0	0	0	0
Recreation and culture								
BC000375 Hearsons Picnic Shelter 4	3,684	0	0	(3,684)	0	0	0	0
BC000374 Hearsons Picnic Shelter 3	3,684	0	0	(3,684)	0	0	0	0
BC000373 Hearsons Picnic Shelter 2	3,684	0	0	(3,684)	0	0	0	0
BC000372 Hearsons Picnic Shelter 1	3,684	0	0	(3,684)	0	0	0	0
Transport								
LT000034 - Footpath Light	2,036	0	0	(2,036)	0	0	0	0
LT000035 - Footpath Light	2,036	0	0	(2,036)	0	0	0	0
	23,390	0	0	(23,390)	0	0	0	0
	613,985	511,254	32,812	(135,543)	554,058	476,003	9,137	(87,192)

(b) Depreciation

	2018	2017
	\$	\$
Buildings	4,193,158	4,152,765
Furniture and equipment	397,814	292,989
Plant	793,204	671,377
Equipment	181,038	129,946
Artwork & Sculptures	29,122	21,391
Infrastructure - Roads	9,337,468	8,972,790
Infrastructure - Footpaths	1,004,825	882,356
Infrastructure - Drainage	394,637	22,259
Infrastructure - Parks, Recreation and Op	1,793,526	256,931
Infrastructure - Aerodromes	2,165,652	2,164,854
Infrastructure - Miscellaneous Structures	332,719	1,335,445
	20,623,163	19,822,284

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation rates

Major depreciation periods used for each class of depreciable asset are:

Artwork/sculptures	50 years
Buildings	10 to 100 years
Furniture and Equipment	3 to 10 years
Plant and Equipment	2 to 15 years
Infrastructure:	
- Roads	12 to 80 years
- Paths and cycleways	80 years
- Aerodromes Assets	10 to 75 years
- Parks Developments	15 to 100 years
- Bridges	60 years
- Drains and Stormwater Network	40 to 80 years
- Miscellaneous structures	15 to 60 years
- Boat ramps/jetties	25 years
- Oher Infrastructure	15 to 60 years
- Street Lighting	15 to 20 years

Depreciation (Continued)

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

10. REVALUATION SURPLUS

	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Total Movement on Revaluation	2018 Transfer between asset class	2018 Closing Balance	2017 Opening Balance	2017 Revaluation Increment	2017 Revaluation (Decrement)	2017 Total Movement on Revaluation	2017 Transfer to/(from) reserve	2017 Closing Balance
	\$	\$	\$	\$		\$	\$	\$	\$	\$	\$	\$
Land & Buildings	25,020,334	0	(1,143,508)	(1,143,508)	34,876	23,911,702	16,476,880	8,795,588	0	8,795,588	(252,134)	25,020,334
Revaluation surplus - Furniture and equipment	8,509	0	0	0	0	8,509	8,509	0	0	0	0	8,509
Revaluation surplus - Plant	47,001	0	0	0	0	47,001	47,001	0	0	0	0	47,001
Revaluation surplus - Infrastructure - Roads	272,056,356	0	(125,804,851)	(125,804,851)	1,809,028	148,060,533	272,182,577	0	(126,221)	(126,221)	0	272,056,356
Revaluation surplus - Infrastructure - Footpaths	24,543,432	3,915,264	0	3,915,264	2,178,584	30,637,280	24,543,432	0	0	0	0	24,543,432
Revaluation surplus - Infrastructure - Drainage	113,738	0	(5,616,098)	(5,616,098)	21,550,018	16,047,658	113,738	0	0	0	0	113,738
Revaluation surplus - Infrastructure - Parks, Recreation and	0	0	(292,502)	(292,502)	6,178,601	5,886,099	0	0	0	0	0	0
Revaluation surplus - Infrastructure - Hardcourt Facilities	616,856	0	0	0	(616,856)	0	616,856	0	0	0	0	616,856
Revaluation surplus - Infrastructure - Bridges & Culverts	27,654,868	0	0	0	(27,654,868)	0	27,654,868	0	0	0	0	27,654,868
Revaluation surplus - Infrastructure - Boat Ramps & Jetties	3,662,964	0	0	0	(3,662,964)	0	3,662,964	0	0	0	0	3,662,964
Revaluation surplus - Infrastructure - Aerodromes	15,030,675	(79,766)	0	(79,766)	2,057,442	17,008,351	22,340,114	0	(7,309,439)	(7,309,439)	0	15,030,675
Revaluation surplus - Infrastructure - Miscellaneous Structures	4,509,694	161,042	(1,390,579)	(1,229,537)	(1,873,861)	1,406,296	4,509,694	0	0	0	0	4,509,694
	373,264,427	3,996,540	(134,247,538)	(130,250,998)	0	243,013,429	372,156,633	8,795,588	(7,435,660)	1,359,928	(252,134)	373,264,427

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued interest on long term borrowings
Accrued salaries and wages
Other Liabilities
Accrued Expenses
Income Received in Advance
Retention Monies

2018	2017
\$	\$
8,954,994	8,097,756
987	957
172,420	170,510
9,342	15,814
398,183	102,681
760,243	117,982
1,527,894	2,437,712
11,824,063	10,943,412

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

	Principal 1 July 2017	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	\$	\$	Actual	Budget	Actual	Budget	Actual	Budget
Self Supporting Loans								
General purpose funding								
Karratha Country Club	412,513	0	64,652	64,664	347,861	347,849	9,525	9,633
Karratha RSL	0	80,000	0	0	80,000	0	178	0
	412,513	80,000	64,652	64,664	427,861	347,849	9,703	9,633

Self supporting loans are financed by payments from third parties.

Borrowings

	2018	2017
	\$	\$
Current	81,408	64,664
Non-current	346,453	347,849
	427,861	412,513

(b) New Borrowings - 2017/18

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term Years	Total Interest & Charges	Interest Rate	Amount (Used)		Balance Unspent
	Actual	Budget						Actual	Budget	
	\$	\$				\$	%	\$	\$	\$
Self Supporting Loan - Karratha RSL	80,000	0	WATC	Self Supporting	5	5,945	2.65%	80,000	0	0
	80,000	0				5,945		80,000	0	0

12. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Borrowings

The City did not have any unspent debentures as at 30 June 2018.

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit

Bank overdraft at balance date

Credit card limit

Credit card balance at balance date

Total amount of credit unused

Loan facilities

Loan facilities - current

Loan facilities - non-current

Total facilities in use at balance date

Unused loan facilities at balance date

2018	2017
\$	\$
1,000,000	1,000,000
0	0
115,500	180,000
(1,020)	(37,095)
1,114,480	1,142,905
81,408	64,664
346,453	347,849
427,861	412,513
NIL	NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the City becomes a party to the contractual provisions to the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

13. PROVISIONS

Opening balance at 1 July 2017

Current provisions
Non-current provisions

Additional provision

Balance at 30 June 2018

Comprises

Current
Non-current

Provision for Annual Leave	Provision for Long Service Leave	Total
\$	\$	\$
2,353,349	1,159,497	3,512,846
0	748,722	748,722
2,353,349	1,908,219	4,261,568
169,535	419,396	588,931
2,522,884	2,327,615	4,850,499
2,522,884	1,566,048	4,088,932
0	761,567	761,567
2,522,884	2,327,615	4,850,499

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

Provision is made for the City's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The City's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The City's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate

Other long-term employee benefits (Continued)

anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The City's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the City does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Provisions

Provisions are recognised when the City has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	62,967,350	68,687,741	85,883,515
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	8,879,998	23,477,520	26,380,432
Non-cash flows in Net result:			
Depreciation	20,623,163	19,004,298	19,822,284
(Profit)/loss on sale of asset	102,731	78,055	165,449
Loss on revaluation of fixed assets	458,379	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	3,561,505	4,030,869	1,875,813
(Increase)/decrease in inventories	(69,825)	0	13,324
Increase/(decrease) in payables	880,651	(1,620,198)	1,302,219
Increase/(decrease) in provisions	588,931	0	(202,680)
Grants contributions for the development of assets	(19,539,454)	(25,974,052)	(17,694,443)
Net cash from operating activities	15,486,079	18,996,492	31,662,398

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	166,831,150	142,428,409
General purpose funding	10,740,964	10,676,312
Law, order, public safety	891,348	838,042
Health	893,184	938,855
Education and welfare	2,372,021	2,486,476
Housing	28,557,608	28,504,302
Community amenities	43,520,666	46,529,225
Recreation and culture	166,528,346	156,014,962
Transport	300,210,194	422,823,453
Economic services	436,939	453,106
Other property and services	5,086,853	5,826,676
Unallocated	27,674,253	56,109,778
	753,743,526	873,629,596

16. CONTINGENT LIABILITIES

The City did not have any contingent liabilities at the reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

17. CAPITAL COMMITMENTS

(a) Capital Expenditure Commitments

	2018	2017
	\$	\$
Contracted for:		
Red Earth Arts Precinct	188,420	28,858,409
Roebourne Aquatic Centre - Community Pools		
Revitalisation Program	0	817,437
Wickham Community Hub	8,045,196	12,344,185
Wickham Community Hub - Splashpad	0	804,670
Wickham Community Hub - Skatescape	414,534	0
Bulgarra Bus Bay Construction	0	87,500
Effluent Systems Upgrade	0	404,162
Waste Facility - Class III Cell Construction	3,141,245	0
Karratha Airport - LA31 Hangar Project	2,085,617	0
Karratha Airport - Airside Upgrade	0	41,539
Karratha Airport - Car Park Redesign	0	1,724,534
Payable:		
- not later than one year	13,875,012	45,082,436

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and the Mayor.

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	344,058	345,000	345,000
Mayor's allowance	85,000	85,000	85,000
Deputy Mayor's allowance	21,134	21,250	21,250
Travelling expenses	48,260	30,000	30,434
Telecommunications allowance	38,391	38,496	38,350
Training expenses	55,987	55,000	6,916
Professional Development	1,319	60,000	37,094
Mayor's Discretionary Fund (Council Related Expenses)	1,045	2,000	2,000
	536,843	636,746	566,044

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the City during the year are as follows:

	2018 \$	2017 \$
Short-term employee benefits	1,412,916	1,226,393
Post-employment benefits	135,552	131,900
Other long-term benefits	52,112	44,965
Termination benefits	0	101,160
	1,600,580	1,504,418

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the City's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Transactions with related parties

Transactions between related parties, and the City are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end

The following transactions occurred with related parties:

	2018 \$	2017 \$
Sale of goods and services	33,370	184,350
Purchase of goods and services	218,751	362,955
Amounts payable to related parties:		
Trade and other payables	104,030	102,686

Related Parties

The City's main related parties are as follows:

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

19. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

KARRATHA AIRPORT OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	2018	2018 Budget
	\$	\$
Revenue		
- Fees and Charges	14,471,612	17,008,862
- Terminal Leases	1,171,596	590,124
- Grant and Contributions	3,658,051	1,264,036
- Other Revenue	99,051	3,533,789
	<u>19,400,310</u>	<u>22,396,811</u>
Expenditure		
- Employee Costs	1,765,624	1,641,308
- Materials & Contracts	3,852,441	5,004,634
- Utilities	1,636,933	1,501,152
- Insurance	490,877	521,242
- Depreciation	3,072,620	3,051,125
- Other Expenditure	766,158	882,797
	<u>11,584,653</u>	<u>12,602,258</u>
Net Operating Result	<u>7,815,657</u>	<u>9,794,553</u>
Capital Expenditure	4,187,502	5,467,688
Total Net Trading Undertaking	<u>3,628,155</u>	<u>4,326,865</u>
	2018	2017
	\$	\$
CURRENT ASSETS		
Receivables	<u>2,080,375</u>	<u>2,700,509</u>
	2,080,375	2,700,509
NON CURRENT ASSETS		
Land	0	0
Buildings	41,025,962	41,629,133
Less Accumulated Depreciation	(4,789,316)	(1,827,910)
Infrastructure	78,297,305	85,206,205
Less Accumulated Depreciation	(19,073,807)	(21,088,538)
Plant	288,839	256,770
Less Accumulated Depreciation	(43,162)	(19,328)
Equipment	72,225	75,572
Less Accumulated Depreciation	(29,596)	(12,555)
Furniture & Equipment	361,992	291,273
Less Accumulated Depreciation	(90,540)	(39,549)
Artwork	184,000	176,650
Less Accumulated Depreciation	0	(6,070)
	<u>96,203,902</u>	<u>104,641,653</u>
EQUITY		
Reserves - Cash Backed	<u>4,294,420</u>	<u>6,586,617</u>
	4,294,420	6,586,617

The City operates the only public airport within the district and operates the aerodrome with the purpose of producing a profit. The Karratha Airport Development Business Plan was adopted by Council on 16 December 2013 (Resolution 152720), this has recently been updated to include the impact of current market conditions.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

19. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS
(Continued)

THE QUARTER HQ
OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2018 Budget \$	2017 \$
Revenue			
- Investment Property Income	1,414,287	1,886,603	0
- Reimbursements	468,435	0	
- Contribution to fitout	0	0	200,000
Expenditure			
- Operational Expenditure	(1,281,950)	(936,855)	0
Net Operating Result	600,772	949,748	200,000

	2018 \$	2017 \$
NON CURRENT ASSETS		
Buildings	19,104,800	19,104,800
Land	900,000	900,000
	20,004,800	20,004,800

A Business Plan for The Quarter HQ was prepared and was advertised for public submissions. Submissions about the proposed purchase were considered by Council on 29 May 2017. Subsequently the City purchased The Quarter HQ on 21st June 2017.

Lessors Disclosure

The Quarter HQ is currently occupied by the following tenants:

Lessee	Lease Term
Minister for Works	15 years
Fiorita Deli	10 years
Just You Beauty	10 years
Woodside	7 years
KPMG	7 years
AMSA	5 years
Lo's Café	5 years
Cecel Filipino Food	5 years

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance 30/06/18		
	\$	\$	\$	\$	\$	\$	\$		
Law, order, public safety									
DFES Contribution - Wickham/Roebourne SES	0	38,372	(28,309)	10,063	0	0	10,063	(1)	^
Rio Tinto - Wickham/Roebourne SES Facility	51,096	0	(13,224)	37,872	0	0	37,872		*
WALGA - Local Road Safety Activities	1,000	0	(1,000)	0	0	0	0		
Community amenities									
Dept. of Planning - Coastal Management Strategy	3,050	0	0	3,050	0	0	3,050		#
PRC - Contribution to Sullage	2,380	0	0	2,380	0	0	2,380		#
PDC Hydrology Grant	40,000	0	0	40,000	0	0	40,000		*
Recreation and culture									
Rio Tinto - Wickham Community Hub	4,500,000	2,535,000	(1,707,430)	5,327,570	2,109,890	(6,786,141)	651,319	(1, 2)	^
State Library of Western Australia	3,010	25,323	(21,628)	6,705	16,915	(17,527)	6,093		#
Roebourne Community Recreation Assoc Inc	23,024	0	0	23,024	0	0	23,024		*
Rio Tinto - Wickham Recreation and Community Facilities Project	185,155	0	0	185,155	0	0	185,155		*
Rio Tinto - Dampier Community	1,513,036	0	(618,664)	894,372	0	0	894,372		*
Rio Tinto - Damiper Community Hub Operations	2,000,000	1,002,000	(619,648)	2,382,352	1,000,000	(665,305)	2,717,047		*
Rio Tinto - Partnership Management Team	144,956	920,164	(622,290)	442,830	0	(62,616)	380,214		*
Rio Tinto - Community Development Services	51,286	406,000	(252,986)	204,300	0	0	204,300		*
PDC - Roebourne Community Aquatic Centre	20,000	0	(20,000)	0	0	0	0		*
Pilbara Industry Road Safety Alliance	69,236	0	(6,000)	63,236	0	0	63,236		*
Rio Tinto - Wickham Recreation Facility Operations	0	2,342,868	(2,219,113)	123,755	2,403,967	(2,310,378)	217,344	(1, 2)	^
Cossack Art Program - Sponsorships	0	374,000	(280,000)	94,000	0	(94,000)	0	(3)	^
Rio Tinto - Eastern Corridor Youth Services	0	295,000	(125,000)	170,000	0	(120,000)	50,000	(3)	^

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS (Continued)

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance 30/06/18		
	\$	\$	\$	\$	\$	\$	\$		
DLGC Grant - Community Development Initiative	0	20,000	0	20,000	0	(20,000)	0	(2)	^
Pilbara Development Commission - Youth Services & Community Safety Initiative	0	251,000	(1,000)	250,000	0	0	250,000	(1)	^
Dept. Sport and Recreation - Kidsport Program	0	8,000	(5,251)	2,749	0	(2,749)	0	(2)	#
Rio Tinto - Karratha Leisureplex Program Support	0	50,000	(46,726)	3,274	50,000	0	53,274	(2)	^
Water Corporation - Tank Art	0	0	0	0	27,273	0	27,273	(2)	^
Transport									
Dept. of State Development - Murujuga Tourism Activation Agreement	0	717,128	(539,735)	177,393	0	0	177,393	(1)	^
Contributions-Beaches & Foreshore Works	0	244,825	(238,865)	5,960	0	(5,960)	0	(2)	#
Contribution To Entry Statement Fleetwood Corporation - Searipple	0	175,000	0	175,000	0	(14,103)	160,897	(2)	^
Precinct Foreshore Works	89,650	0	(89,650)	0	0	0	0		*
Main Roads WA - Mooligunn Road Reconstruction	0	0	0	0	200,526	(85,672)	114,854	(2)	^
Total	8,696,879	9,404,680	(7,456,519)	10,645,040	5,808,571	(10,184,451)	6,269,160		

Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

(*) - Grants/contributions have been received in Municipal cash in previous period and have been transferred to Reserve in previous period

(^*) - Grants/contributions have been received in Municipal cash and have been transferred to Reserve in 2017/18

(#) - Grants/contributions have been received in Municipal cash and are contained in Note 3 Restricted Cash.

21. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental valuations											
Residential	0.065863	6,934	247,344,656	16,290,861	73,953	6,217	16,371,031	16,287,368	15,000	5,000	16,307,368
Commercial/Tourism/Town Centre/Other	0.075262	259	37,543,403	2,825,591	(50,382)	(10,260)	2,764,949	2,831,447	20,000	7,500	2,858,947
Industry/Mixed Business	0.057816	461	71,901,303	4,157,046	(20,483)	(17,219)	4,119,344	4,158,597	20,000	7,500	4,186,097
Airport/Strategic Industry	0.129953	17	9,872,980	1,283,023	0	0	1,283,023	1,283,023	0	0	1,283,023
Transient Workforce											
Accommodation/Workforce Accommodation	0.324699	22	16,252,600	5,277,203	0	(50,643)	5,226,560	5,277,203	416,784	0	5,693,987
Unimproved valuations											
Pastoral	0.099613	10	2,710,050	269,956	353	(137)	270,172	269,956	0	0	269,956
Mining/Other	0.137651	168	5,369,349	739,096	10,874	(742)	749,228	740,611	5,000	0	745,611
Strategic Industry	0.172783	30	41,252,407	7,127,714	26,834	(9,715)	7,144,833	7,138,946	0	0	7,138,946
Sub-Total		7,901	432,246,748	37,970,490	41,149	(82,499)	37,929,140	37,987,151	476,784	20,000	38,483,935
Minimum payment											
Gross rental valuations											
Residential	1,490	1,504	21,569,373	2,240,960	0	0	2,240,960	2,240,960	0	0	2,240,960
Commercial/Tourism/Town Centre/Other	1,490	215	2,142,000	320,350	0	0	320,350	320,350	0	0	320,350
Industry/Mixed Business	1,490	138	808,012	205,620	0	0	205,620	205,620	0	0	205,620
Airport/Strategic Industry	1,490	1	2,600	1,490	0	0	1,490	1,490	0	0	1,490
Transient Workforce											
Accommodation/Workforce Accommodation	1,490	0	0	0	0	0	0	0	0	0	0
Unimproved valuations											
Pastoral	313	0	0	0	0	0	0	0	0	0	0
Mining/Other	313	148	141,694	46,324	0	0	46,324	48,202	0	0	48,202
Strategic Industry	313	12	12	3,756	0	0	3,756	3,756	0	0	3,756
Sub-Total		2,018	24,663,691	2,818,500	0	0	2,818,500	2,820,378	0	0	2,820,378
		9,919	456,910,439	40,788,990	41,149	(82,499)	40,747,640	40,807,529	476,784	20,000	41,304,313
Discounts/concessions (refer note 21(d))							(355,216)				(355,216)
Total amount raised from general rate							40,392,424				40,949,097
Ex-gratia rates							50,897				47,644
Totals							40,443,321				40,996,741

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

21. RATING INFORMATION (Continued)

(b) Specified Area Rate

No specified area rates were imposed by the City during the year ended 30 June 2018

(c) Service Charges

No service charges were levied by the City during the year ended 30 June 2018

Service Charges	Amount of Charge	Revenue Raised	Budget Revenue	Charges Applied to Costs	Charges Set Aside to Reserve	Reserve Applied to Costs	Budget Charges Applied to Costs	Budget Charges Set Aside to Reserve	Budget Reserve Applied to Costs
	\$	\$	\$	\$	\$	\$	\$	\$	\$
PUPP HV Allocation	\$48.26 per kVa	0	0	0	0	2,790,394	0	0	3,450,000
PUPP LV Allocation	\$196.38 per kVa	0	0	0	0	7,594,725	0	0	9,390,000
PUPP Connection Charge	\$1,022.17 per Connection	0	0	0	0	1,747,029	0	0	2,160,000
		0	0	0	0	12,132,148	0	0	15,000,000

Nature of the Service Charge	Objects of the Charge	Reasons for the Charge	Area/Properties Charge Imposed
PUPP HV Allocation	Fund the HV component of PUPP Works	Fund the HV component of PUPP Works	All areas within scope of PUPP works
PUPP LV Allocation	Fund the LV component of PUPP Works	Fund the LV component of PUPP Works	All areas with existing overhead
PUPP Connection Charge	Fund the Connection component of PUPP works	Fund the Connection component of PUPP works	All properties with an existing overhead connection

The final payment for the Pilbara Underground Power Project was made to Horizon Power at the end of June 2018.

The four year instalment option for ratepayers was completed in March 2018. 138 properties are on 10 year instalment plans which expire March 2024

21. RATING INFORMATION (Continued)

(d) Discounts, Incentives, Concessions, & Write-offs

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	Actual \$	Budget \$
Cossack (GRV) Transient Workforce	Concession		1,440	27,360	27,360
Accommodation / Workforce	Concession		Various	327,856	327,856
Accommodation (GRV) Fees and Charges	Waiver	As determined on application		111,740	82,850
Rates	Waiver	100.00%		41,295	41,295
Rates and Penalty interest	Write Off	As determined on application		0	0
Fees and Charges	Write Off	As determined on application		0	0
				508,251	479,361

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Cossack (GRV)	All 19 rateable properties within the Cossack Township	To recognise the heritage nature of the Cossack Township, development restrictions and lack of town utilities.	To recognise the heritage nature of the Cossack Township, development restrictions and lack of town utilities.
Transient Workforce Accommodation/ Workforce Accommodation (GRV)	For TWA/WA (GRV) that but for the Concession offered by Council for the 2016/17 financial year would have experienced a greater than 20% increase in rates due to disparate valuation changes within the category.	To phase in the impact of valuation changes in 2016/17 with concessions in 2017/18 reduced by one-third from 2016/17 and to phase out the concession for properties that remain eligible.	To phase in the impact of valuation changes in 2016/17 with concessions in 2017/18 reduced by one-third from 2016/17 and to phase out the concession for properties that remain eligible.

21. RATING INFORMATION (Continued)

(d) Discounts, Incentives, Concessions, & Write-offs (Continued)

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Fees and Charges	Fee Waivers for local Not for Profit and Community Organisations considered upon application for the use of the City's waste and recreational facilities.	To recognise the community benefit provided by local Not for Profit Community Organisations and assist them to remain viable.	To recognise the community benefit provided by local Not for Profit Community Organisations and assist them to remain viable.
	Fee Waivers for Economic Development purposes considered on an individual basis by Council or administratively by delegated authority	To encourage economic diversity and growth within the City of Karratha	To encourage economic diversity and growth within the City of Karratha
	General Fee Waivers considered on an individual basis administratively by delegated authority	To ensure business continuity, administrative efficiency and marketing opportunities	To ensure business continuity, administrative efficiency and marketing opportunities
Rates	Waiver of Rates for local Sporting Groups where no commercial return is derived from the property	To assist local sporting organisations to remain operational for the benefit of the Community.	To assist local sporting organisations to remain operational for the benefit of the Community.
Rates and Penalty interest	Considered on an individual basis by Council or administratively by delegated	To manage the City's rates register in an economically viable manner.	To manage the City's rates register in an economically viable manner.
Fees and Charges	Considered on an individual basis by Council or administratively by delegated	To manage the City's debt portfolio in an economically viable manner.	To manage the City's debt portfolio in an economically viable manner.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

21. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	28-Aug-17	0	0.00%	11.00%
Option Two				
First instalment	28-Aug-17	0	0.00%	11.00%
Second instalment	30-Oct-17	10	4.50%	11.00%
Option Three				
First instalment	28-Aug-17	0	0.00%	11.00%
Second instalment	30-Oct-17	10	4.50%	11.00%
Third instalment	08-Jan-18	10	4.50%	11.00%
Fourth instalment	12-Mar-18	10	4.50%	11.00%

(e) Interest Charges & Instalments

	Revenue	Budgeted Revenue
	\$	\$
Rates Penalty Interest	360,888	300,000
Rates Instalment Interest	136,331	115,000
Rates Instalment Charges	72,840	75,000
Deferred Pensioner Interest	352	0
Administration Fee - Adhoc Arrangement	100	2,500
Administration Fee - Direct Debit	760	2,500
	571,271	495,000

	Revenue	Budgeted Revenue
	\$	\$
PUPP Penalty Interest	26,342	117,000
PUPP Instalment Interest	305,596	335,759
PUPP Instalment Charges	56,680	62,510
	388,618	515,269

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

22. NET CURRENT ASSETS

Composition of net current assets

	2018 (30 June 2018 Carried Forward)	2018 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus/(Deficit) 1 July 17 brought forward	2,564,089	2,364,705	2,364,705
CURRENT ASSETS			
Cash and cash equivalents			
Cash on Hand	17,805	13,370	13,370
Cash at Municipal Bank	1,440,158	128,614	128,614
Restricted - Municipal (Unspent	11,523	20,844	20,844
Restricted - Reserves	61,497,864	85,720,687	85,720,687
Receivables			
Rates outstanding	2,990,652	2,913,044	2,913,044
GST receivable	2,387,509	1,130,269	1,130,269
Loans receivable - clubs/institutions	20,115	6,163	6,163
Other Bonds	1,950	1,900	1,900
- Service Charge	1,508,871	3,627,192	3,627,192
- Rubbish	729,773	1,437,883	1,437,883
- Fees and Charges for Services	190,052	207,589	207,589
- Private Works	3,581	7,746	7,746
- Income from Property	440,920	296,896	296,896
- Aerodrome	2,080,375	3,845,817	3,845,817
- Grants and Contributions	2,843,219	2,468,448	2,468,448
- Reimbursements and General	194,672	204,772	204,772
- Excess Rates Receipts	(397,585)	(311,653)	(311,653)
Staff Housing Bonds	0	2,400	2,400
Pensioner Rebates	791	814	814
Accrued Income	1,334,793	587,160	587,160
Prepayments	55,253	239,456	239,456
Less Provision for Doubtful Debts	(1,355,831)	(303,182)	(303,182)
Inventories			
Fuel and Materials	347,617	293,154	293,154
Corporate Uniforms	23,133	27,113	27,113
Food, Drinks & Merchandise Roebourne Aquatic	408	506	506
Food, Drinks & Merchandise Youth Shed	5,920	6,189	6,189
Food, Drinks & Merchandise Wickham Recreation Precinct	2,183	3,651	3,651
Food, Drinks & Merchandise Karratha Leisureplex	2,519	1,340	1,340
Food, Drinks & Merchandise Red Earth Arts Precinct	20,004	0	0
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(8,954,789)	(8,097,758)	(8,097,758)
Accrued interest on long term borrowings	(987)	(957)	(957)
Accrued salaries and wages	(172,420)	(170,510)	(170,510)
ATO liabilities	0	0	0
Other Liabilities	(9,342)	(15,814)	(15,814)
Accrued Expenses	(398,183)	(102,681)	(102,681)
Income Received in Advance	(760,243)	(117,982)	(117,982)
Net Trust Liabilities	0	0	0
Retention Monies	(1,527,894)	(2,437,712)	(2,437,712)
Current portion of long term borrowings	(81,408)	(64,664)	(64,664)
Provisions			
Provision for annual leave	(2,522,884)	(2,353,349)	(2,353,349)
Provision for long service leave	(1,566,048)	(1,159,497)	(1,159,497)
Unadjusted net current assets	60,404,046	88,057,258	88,057,258

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

22. NET CURRENT ASSETS (continued)

Less: Reserves - restricted cash	(61,497,867)	(85,741,531)	(85,741,531)
Less: Movement in Accruals	(503,838)	0	0
Less: Loans Receivable - clubs/institutions	(20,115)	(6,163)	(6,163)
Less: Movement in Restricted Assets	(3,841,143)	(6,860,485)	(6,860,485)
Add: Movement in Accruals	0	84,282	84,282
Add: Cash - Restricted Unspent Grants	11,523	20,844	20,844
Add: Cash Backed Employee Provisions	4,088,932	3,512,846	3,512,846
Add: Current portion of long term borrowings	81,408	64,664	64,664
Add: Restricted Surplus/(Deficit) June 30 b/fwd -	4,672,754	7,905,744	7,905,744
Less: Restricted Surplus/(Deficit) June 30 c/fwd -	(831,611)	(4,672,754)	(4,672,754)
Adjusted net current assets - surplus/(deficit)	2,564,089	2,364,705	2,364,705

Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

23. FINANCIAL RISK MANAGEMENT

The City's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The City's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the City.

The City does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council.

The City held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	62,967,350	85,883,515	62,967,350	85,883,515
Receivables	14,191,922	17,781,001	14,191,922	17,781,001
	<u>77,159,272</u>	<u>103,664,516</u>	<u>77,159,272</u>	<u>103,664,516</u>
Financial liabilities				
Payables	11,824,063	10,943,412	11,824,063	10,943,412
Borrowings	427,861	412,513	427,861	412,513
	<u>12,251,924</u>	<u>11,355,925</u>	<u>12,251,924</u>	<u>11,355,925</u>

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

(a) Cash and Cash Equivalents

The City's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. Council has an Investment Policy and the Policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash is subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the City.

The City manages these risks by diversifying its portfolio and only investing in investments authorised by Local Government (Financial Management) Regulation 19C.

	2018	2017
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	629,674	858,835
- Statement of Comprehensive Income	629,674	858,835

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible interest rate movements

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The City's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The City manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the City to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The City is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The City makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the City's credit risk at balance date was:

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Pilbara Underground Power Project Service Charges		
- Current	42.00%	66.00%
- Overdue	58.00%	34.00%
Percentage of other receivables		
- Current	91.00%	95.00%
- Overdue	9.00%	5.00%

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

The contractual undiscounted cash flows of the City's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2018					
Payables	11,464,018	0	0	11,464,018	11,464,018
Borrowings	81,408	346,453	0	427,861	427,861
	11,545,426	346,453	0	11,891,879	11,891,879
2017					
Payables	10,943,412	0	0	10,943,412	10,943,412
Borrowings	64,664	347,849	0	412,513	412,513
	11,008,076	347,849	0	11,355,925	11,355,925

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	81,408	83,438	85,519	87,653	89,843	0	427,861	2.55%
Weighted average Effective interest rate	2.55%	2.55%	2.55%	2.55%	2.55%			
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	64,664	66,238	67,865	69,530	71,238	72,978	412,513	2.44%
Weighted average Effective interest rate	2.44%	2.44%	2.44%	2.44%	2.44%	2.44%		

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

24. TRUST FUNDS

Funds held at balance date over which the City has no control and which are not included in the financial statements are as follows:

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Public Open Space Contributions	879,456	0	(25,623)	853,833
Karratha Agistment Centre Compensation Fund	659,511	0	0	659,511
Planning Bonds	315,622	0	(11,000)	304,622
Unclaimed Monies	24,344	2,562	0	26,906
Airport ASIC Cards	13,950	4,750	(3,550)	15,150
Verge Bonds	28,000	0	(16,000)	12,000
Staff Travel Allowances	11,140	4,760	(6,140)	9,760
Airport Parking Cards	8,750	3,650	(2,200)	10,200
VAST	0	6,582	0	6,582
Hall Hire Bonds	2,875	17,200	(16,375)	3,700
Other Bonds & Guarantees	34,188	350	(11,533)	23,005
	<u>1,977,836</u>			<u>1,925,269</u>

25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the City.

Management's assessment of the new and amended pronouncements that are relevant to the City, applicable to future reporting periods and which have not yet been adopted are set out as follows:

	Title	Issued / Compiled	Applicable (1)	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend on the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.</p>
(iii)	AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the City, the impact is not expected to be significant.</p>

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (Continued)

	Title	Issued / Compiled	Applicable (1)	Impact
(iv)	AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the City's operations.</p>

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

Adoption of New and Revised Accounting Standard:

During the current year, the City adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became mandatory and which were applicable to its operations.

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

- | | | |
|------|---|----------------|
| (i) | AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities | 1 January 2017 |
| (ii) | AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities | 1 January 2017 |

26. SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Current and non-current classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the City's intentions to release for sale.

c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

f) Superannuation

The City contributes to a number of Superannuation Funds on behalf of employees. All funds to which the City contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the City would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The City selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the City are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

i) Impairment of assets

In accordance with Australian Accounting Standards the City's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets such as roads, drains, public buildings and the like, no annual assessment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

27. ACTIVITIES/PROGRAMS

City operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Functions relating to the Councillors and the running of Council. Expenditure includes the running of elections, payments of expenses to Councillors and non statutory donations.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rating (including ex-gratia contributions), interest revenues and general purpose Government grant functions. Includes the Financial Assistance Grant received from the Local Government Grants Commission and all other rate income.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision of various by-laws, fire and emergency services, and animal control. Includes expenditure for the Ranger Services, State Emergency Service and disaster preparation and recovery expenses.
HEALTH	To provide an operational framework for environmental and community health.	Food control, immunisation services, mosquito control and maintenance of child health centres. Expenditure includes the maintenance of the child health clinic buildings, various health promotions and pest control expenses mainly relating to mosquito control.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Maintain preschool facilities and day care centres. This includes expenditure in maintaining the day care centre buildings and also donations to schools for awards etc.
HOUSING	To provide and maintain staff housing.	Maintenance and operational expenses associated with the provision of staff housing.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of tip, administration of town planning schemes and operation of cemeteries. Also included are the costs associated with the maintaining and cleaning of public toilets.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resource which will help the social well being of the community.	Maintenance of halls, swimming pool, recreation centres, various reserves and operation of libraries. Expenditure includes the cost of the Karratha Leisureplex and other pavilions, ovals and parks maintenance, Roebourne Swimming Pool, coastal rehabilitation, and four libraries. Expenses relating to the historical town of Cossack, the Moonrise Cinema and JJJ radio re-broadcasting are also included in this function.
TRANSPORT	To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, drainage, footpaths, parking facilities, traffic signs and the aerodrome. It includes expenditure for the construction and maintenance of the roads, footpaths and also the expenditure relating to parking control and the operation of the Karratha & Roebourne Airport.
ECONOMIC SERVICES	To help promote the local government and its economic wellbeing.	Tourism and administration of building controls. Expenditure includes Councils contributions to the Karratha and Roebourne Visitor Centres and the Pilbara Tourism Association, and the costs associated with building control.
OTHER PROPERTY AND SERVICES	To monitor and control operating accounts.	Private works and other unclassified works. It also includes expenditure relating to plant operations and the Technical Services division however these costs are then reallocated to the other functions. The costs associated with financing and administration are allocated direct to the relevant functions.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

28. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	1.12	1.53	2.05
Asset sustainability ratio	0.88	0.72	0.92
Debt service cover ratio	134.13	384.34	22,143.03
Operating surplus ratio	(0.13)	0.11	0.05
Own source revenue coverage ratio	0.79	0.95	0.95
Asset consumption ratio	0.84	0.92	0.97
Asset renewal funding ratio	1.00	1.00	1.00

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants as well as the final payment to Horizon Power for the Pilbara Underground Project. The payment to Horizon Power was funded by service charges recognised in 2014/15 and held in reserve in accordance with section 6.38(2)(b) of the *Local Government Act 1995* as restricted funds.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	646,019	751,662	0
Amount of Financial Assistance Grant received in prior year relating to current year.	751,662	0	1,006,005
Amount of annual payment to Horizon Power	12,132,148	4,000,000	3,600,000

If the events detailed above did not occur, the impacted ratios in the 2018, 2017 and 2016 columns above would be as follows:

	2018	2017	2016
Current ratio	1.12	1.04	0.98
Debt service cover ratio	292.55	428.14	26,388.32
Operating surplus ratio	0.01	0.14	0.11
Own source revenue coverage ratio	0.89	0.99	0.99

INDEPENDENT AUDITOR'S REPORT

To the Electors of the City of Karratha

Report on the Audit of the Financial Report

Opinion

We have audited the annual financial report of the City of Karratha which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In our opinion the annual financial report of the City of Karratha:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City of Karratha for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the City of Karratha in accordance with the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling City of Karratha's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the City of Karratha is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the City of Karratha's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the City of Karratha.

The Council is responsible for overseeing the City of Karratha's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of our audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Karratha's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City of Karratha's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with the *Local Government (Audit) Regulations 1996* we report that:

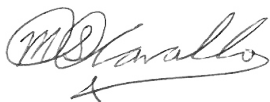
- (i) In our opinion, there are no significant adverse trends in the financial statements of the City of Karratha:
- (ii) There were no instances of non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law identified during the course of our audit.
- (iii) All required information and explanations were obtained by us.
- (iv) All audit procedures were satisfactorily completed.

- (v) In our opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of City of Karratha for the year ended 30 June 2018 included on the City of Karratha's website. City of Karratha's management is responsible for the integrity of the City of Karratha website. This audit does not provide assurance on the integrity of the City of Karratha's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

AMD Chartered Accountants



MARIA CAVALLO
Director

28-30 Wellington Street, Bunbury, Western Australia

Dated this 23rd day of October 2018

5.3 NETWORK VULNERABILITY ASSESSMENT AND PENETRATION TESTING

File No:	IT.11
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Information Systems
Date of Report:	14 November 2018
Disclosure of Interest:	Nil
Attachment(s):	Confidential - Consolidated Security Recommendations report

PURPOSE

For the Audit & Organisational Risk Committee (AORC) to consider the outcomes of a recently completed Network Vulnerability Assessment and Penetration Testing.

BACKGROUND

ES2 was engaged, through a competitive procurement process, to undertake an information security review for the City. The review included:

- Security Process Review
The business process review is a review of the management of information security and is based on the ISO 27001 standard, which is the International standard for the management of Information Security. This standard is used as a baseline.
- Technical Security Review
The technical security review is a review of the technical implementation of security controls across the City. This review is based on the Australian Signals Directorate (ASD) essential eight security controls.
- External Penetration Testing
The External Penetration Test is designed to simulate an attack by an internet-based attacker who could be based anywhere in the world with an internet connection.
- Social Engineering (Phishing)
The Social Engineering (Phishing) test is designed to assess the susceptibility of City staff to standard phishing attack methodologies.

The findings of each of the four review areas were summarised into one report, with recommendations. The findings and recommendations were given a priority categorisation indicator, which represents the potential impact to the business.

Priority	Explanation
↑ High	Remediation is urgent or should be considered soon or the risk posed is considered by ES2 to be significant
→ Medium	Remediation should be considered in the medium term (during next maintenance schedule) or the risk posed is considered by ES2 to be moderate
↓ Low	Remediation may be considered as a long-term objective or the risk posed is considered by ES2 to be negligible

FINDINGS	↑ High	→ Medium	↓ Low
Security Process Review	1	20	12
Technical Security Review	3	5	7
External Penetration Testing	3	4	8
Social Engineering (Phishing)	2	1	2
TOTAL	9	30	29

Each recommendation has been reviewed including the risk, likelihood, priority and proposed action. It was noted by ES2 that some of the items are already being addressed and some were addressed immediately when risks were identified during the review.

The list of recommendations and City responses is in the attached Consolidated Security Recommendations report.

ES2 has assessed security controls and processes to be 'Managed' (security controls are in development with limited documentation) to 'Defined' (security controls are documented but are not enforced or supported) and acknowledge that 'considerable work has been undertaken to date to implement security controls and a secure infrastructure, but recognise that there are still improvements that can be made to improve the security posture and breach readiness'.

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of moderate significance in terms of Council's ability to perform its role.

COUNCILLOR/OFFICER CONSULTATION

Officers from Information Systems, Finance, Human Resources, Governance & Organisational Strategy, Infrastructure and Building Maintenance were consulted throughout the review process.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

There are no statutory implications.

POLICY IMPLICATIONS

Some policies will be updated as a result of the security review.

FINANCIAL IMPLICATIONS

The cost of the information security review was \$29,505 which was included in the 2017/18 budget as a new initiative.

The 2018/19 budget includes \$50,000 - \$80,000 to migrate to Office 365 (Item L10). A further \$53,000 is proposed for the 2019/20 budget to migrate to Exchange 2016 and implement additional vulnerability identification tools. All other recommendations can be addressed within existing resources.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2018-2019 provided for this activity

Programs/Services:	4.b.2.2	Enterprise Systems and Architecture
	4.b.2.3	Software Management

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	Medium	The City has insurance to cover losses associated with breaches of IT security.
Service Interruption	Medium	Improving IT security policies, system and processes will minimise service interruption.
Environment	N/A	Nil
Reputation	Medium	Some of the higher priority items have already been addressed. Other high and medium priority items are being scheduled into the IT work program.
Compliance	N/A	Nil

IMPACT ON CAPACITY

There is minimal impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

There are no relevant precedents related to this matter.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit & Organisational Committee by SIMPLE Majority pursuant to Section 3.18 of the *Local Government Act 1995* RESOLVES to DEFER consideration of this matter pending further information.

CONCLUSION

The Network Vulnerability Assessment and Penetration Testing has demonstrated that the City is managing information security effectively, although improvement opportunities have been identified. Some of the risk areas are considered acceptable, and some require minor work to enhance controls. Actions to address each of the recommendations are being built into the IT work program to ensure that defined and implemented security controls are being measured against set objectives.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : **AOR74**
MOVED : **Cr Cucel**
SECONDED: : **Cr Long**

That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Section 3.18 of the *Local Government Act 1995* RESOLVES to NOTE:

- 1. Recommendations provided by ES2 in the Consolidated Security Recommendations Report dated October 2018; and**
- 2. Officer responses and proposed actions contained within the Consolidated Security Recommendations report dated October 2018.**

CARRIED

FOR : **Cr Smeathers, Cr Cucel, Cr Long, Cr Scott**
AGAINST : **Nil**

5.4 AUDIT & ORGANISATIONAL RISK COMMITTEE 2019 MEETING DATES

File No:	FM.3
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	DAO Corporate Services
Date of Report:	29 October 2018
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s)	Nil

PURPOSE

To consider dates for Audit & Organisational Risk Committee meetings in 2019.

BACKGROUND

The Terms of Reference for the Audit & Organisational Risk Committee provide for “meetings to be held at least three times per year, or as required”.

It is proposed that meetings be scheduled in March, August and November 2019.

Date of Meeting	Matters for Discussion
5 March 2019	<ul style="list-style-type: none"> • Receive Annual Compliance Audit 2019 • Review recommendations of Internal Audit • Risk Register update • Business Improvement Progress Report
28 August 2019	<ul style="list-style-type: none"> • Receive Interim Audit Report 2019 • Review recommendations of Internal Audit • Risk Register update • Business Improvement Progress Report
5 November 2019	<ul style="list-style-type: none"> • Consider External Audit Report for Year Ended 30 June 2019 • Receive Annual Financial Report 2018/19 • Endorse 2020 AORC Meeting dates • Risk Register update • Business Improvement Progress Report

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of low significance in terms of Council’s ability to perform its role.

COUNCILLOR/OFFICER CONSULTATION

No Councillor or Officer consultation is required.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

Division 1A of Part 7 of the *Local Government Act* makes provision for local government Audit Committees.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

There are no financial implications.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2018-2019 provided for this activity:

Programs/Services: 4.a.2.6 Agenda and Minutes Preparation

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	N/A	Nil
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	N/A	Nil
Compliance	High	Failure to convene Audit Committee meetings will breach Statutory requirements.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

In recent years the Committee has met in March, August and October. In 2019, instead of meeting in October it is proposed the Committee meet in November given from 2019 the Office of the Auditor General will commence overseeing local government audits.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to PROPOSE scheduling the 2019 Audit and Organisational Risk Committee meeting dates as follows:

_____ ;
_____.

CONCLUSION

It is proposed to continue the schedule of Audit and Organisational Risk Committee meetings to meet three times a year in 2019. In the event that an urgent matter needs to be considered, a further meeting of the Committee can be convened.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : **AOR75**
MOVED : **Cr Scott**
SECONDED: : **Cr Cucel**

That the Audit and Organisational Risk Committee by **SIMPLE** Majority pursuant to Part 7 of the *Local Government Act 1995* **RESOLVES** to **ENDORSE** the following schedule for 2019 Audit and Organisational Risk Committee meeting dates as follows:

- **Tuesday 5 March 2019 at 3pm**
- **Tuesday 26 August 2019 at 3pm**
- **Tuesday 5 November 2019 at 3pm**

CARRIED

FOR : **Cr Smeathers, Cr Cucel, Cr Long, Cr Scott**
AGAINST : **Nil**

6 ITEMS FOR INFORMATION ONLY

Responsible Officer: Director Corporate Services

Reporting Author: Minute Secretary

Disclosure of Interest: Nil

PURPOSE

To advise the Audit and Organisational Risk Committee of the information items for period ending November 2018.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR76

MOVED : Cr Cucel

SECONDED: : Cr Long

That the Audit and Organisational Risk Committee note the following information items:

- 6.1 Business Improvement – Progress Report
- 6.2 Update on Internal Audits
- 6.3 Update on External Audit
- 6.4 Update on the Office of the Auditor General (OAG) Procurement Audit

CARRIED

FOR : Cr Smeathers, Cr Cucel, Cr Long, Cr Scott
AGAINST : Nil

6.1 BUSINESS IMPROVEMENT – PROGRESS REPORT**File No: FM.3****Responsible Executive Officer: Director Corporate Services****Reporting Author: Manager Governance and Organisational Strategy****Date of Report: 13 October 2018****Disclosure of Interest: Nil****Attachment(s): Nil****PURPOSE**

To provide the Audit & Organisational Risk Committee with a progress update on Business Improvement activities and initiatives:

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
1. Strategic Community Plan 2016-2026	Outlines the outcomes expressed by our communities and our response as an organisation in achieving those agreed outcomes in the next 10 years.	<ul style="list-style-type: none"> • Vision • Strategies • Community Engagement • Resources and Commitments 	<ul style="list-style-type: none"> • Review undertaken by Councillors community and staff during 2105/16 • Adopted by Council in September 2016 	<ul style="list-style-type: none"> • June 2020
2. Corporate Business Plan 2016-2020	Outlines what the organisation needs to deliver in the next five years. Has been extensively reworked internally over the past 4-6 weeks with a focus on consistency and measurability of KPI's.	<ul style="list-style-type: none"> • Activates Strategic Community Plan • Progress Measures to achieve delivery of outcomes • Budget information for five years 	<ul style="list-style-type: none"> • Approved by Council in October 2016 • Desktop review undertaken and endorsed by Council in June 2018. 	<ul style="list-style-type: none"> • Next review June 2020
3. Operational Plan 2018-2019	Annual slice and dice of Corporate Business Plan. Has been extensively reworked internally to ensure consistency and compliance.	<ul style="list-style-type: none"> • Annual Budget. • Annual Projects and Services 	<ul style="list-style-type: none"> • Approved by Council in June 2018 • Preparations underway for review commencing Feb 2019. 	<ul style="list-style-type: none"> • Next review June 2019
4. Asset Management Plan	What Assets are required at what service level to deliver the services expressed by our communities?	<ul style="list-style-type: none"> • Asset Conditions & Ratings • Levels of Service, operational, technical and community • Financial information for 	<ul style="list-style-type: none"> • Approved by Council in June 2013. • Asset Management Policy reviewed and submitted to Council in 	<ul style="list-style-type: none"> • To be completed by March 2019

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
		maintenance of assets at an agreed level of service <ul style="list-style-type: none"> Asset Disposal Strategy and Lifecycle Costing Action Plans 	Nov 2016 however deferred pending further review. <ul style="list-style-type: none"> Infrastructure inventory and condition data collated Sep 2018 to inform AMP 	
5. Long Term Financial Plan	Informs the Strategic Community Plan and Corporate Business Plan. CEO has reviewed with EMT. Staff believe that assumptions that inform the financial modelling need review prior to Council adoption.	<ul style="list-style-type: none"> Sensitivity Analysis Long Term Financial Sustainability Capital Works Program for next 10 years Financial Modelling Assumptions and Scenarios 	<ul style="list-style-type: none"> Submitted to the DLGC in June 2013. Review of key assumptions and 10 year Capital Works Plan completed in June 2015, March 2017 and March 2018. 	<ul style="list-style-type: none"> Updated LTFP to be submitted to Council in Q3 2018.
6. Workforce Plan 2013-2018	Development of an all-encompassing strategy which addresses staff turnover rates and an appreciation of the full number of staff required to deliver City business now and into the future.	<ul style="list-style-type: none"> Structural Review Performance Measurement Systems Performance Appraisal System Retention Recruitment Succession Planning Development and training Staff housing & accommodation 	<ul style="list-style-type: none"> Approved by Council in August 2013. Annual review has been completed and incorporated in the LTFP assumptions. 	<ul style="list-style-type: none"> June 2019
7. Housing Strategy	Development of a strategy to address the housing and accommodation needs of the City from retention and recruitment perspective.	<ul style="list-style-type: none"> Short term review and modifications undertaken. Options for staff housing to be developed (ownership vs leasing vs paying allowances). 	<ul style="list-style-type: none"> Review completed and endorsed by Council in July 2018. 	<ul style="list-style-type: none"> Review due 2021.
8. Corporate Performance Management System	A tool to integrate all operations including projects and services delivered by the organisation and report on the individual status and financials.	<ul style="list-style-type: none"> Ability for all reporting teams to update their quarterly performances. 	<ul style="list-style-type: none"> Contract with Civica Pty Ltd. terminated in May 2018. In house reporting. 	<ul style="list-style-type: none"> Q2 KPIs to be presented in Dec 2018
9. Procurement and Tendering	Given the large volume of projects that the City is	<ul style="list-style-type: none"> Centralise and streamline the approach to 	<ul style="list-style-type: none"> Induction and awareness training 	<ul style="list-style-type: none"> Ongoing OAG performance

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
	accountable for, a more centralised approach with procurement is applied for regulatory compliance.	procurement and tendering. <ul style="list-style-type: none"> Create knowledge management and succession planning of procurement and tendering through the organisation. 	provided quarterly. <ul style="list-style-type: none"> eQuotes for local suppliers introduced in November 2015. Tender evaluation modified Oct 2018. 	review of procurement completed.
10. Functional Processes	A review of the key processes that link how things are done within the organisation and examine the need to streamline and avoid duplication of activity that further create efficiencies in time and cost on how activities are undertaken.	<ul style="list-style-type: none"> Define what a process is and how these will be recorded. Conduct a review of current functional processes across the organisation. Define what functional processes are needed, how they will be recorded, understood and applied consistently throughout the organisation. 	<ul style="list-style-type: none"> Policies adopted. Current practices are being process mapped as an internal resource and guide to all staff. 563 processes have been developed with 87% published for organisation to use. 	<ul style="list-style-type: none"> Ongoing and annual reviews of processes undertaken
11. Service Reviews	Review of all service areas to ensure efficacy and alignment with strategic direction and community	<ul style="list-style-type: none"> Thorough review of individual service area with recommendations targeting business improvement and efficiency 	<ul style="list-style-type: none"> Service reviews have been undertaken across all service areas with 337 recommended actions put forward to EMT. 	<ul style="list-style-type: none"> 71% of recommendations are complete and 23% in progress. Staff working through balance that have varying time frames.
12. Risk Management Review	Review of existing policies, procedures and supporting documentation. Development of Risk Management Framework.	<ul style="list-style-type: none"> Common, contemporary, compliant framework was developed and utilised for the four (4) Pilbara LGA's. 	<ul style="list-style-type: none"> Risk plan and policies approved by Council in Feb 2017 Major review of Risk Register undertaken. Highlight risks to be provided to AORC each meeting. 	<ul style="list-style-type: none"> March 2019
13. Business Continuity Management Project	A project funded by the PRC to assist Pilbara councils to establish a business	<ul style="list-style-type: none"> BCM Policy and Plan. BCM Governance Framework. 	<ul style="list-style-type: none"> BCM Plan prepared and training undertaken by 	<ul style="list-style-type: none"> BCM Plan under review and will be

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
	continuity framework for their local authorities.	<ul style="list-style-type: none"> Exercise Maintenance and Awareness Plan. 	PRC with Critical Response Team in November 2015.	submitted to AORC in 2019.
14. Internal Audit Program	A program to examine and test internal controls established within the organisation to ensure sound governance systems are effective.	<ul style="list-style-type: none"> IA Schedule developed of internal audit program. Identify any weaknesses and reduce risks by examining existing control measures and providing recommendations for improvement. 	<ul style="list-style-type: none"> Completed IA: Delegations and Authorisations; and Credit Card. IA on Grants and Contributions to completed. Audit also underway on IT security network. Next IA on stock management 	<ul style="list-style-type: none"> Grants and Contributions IA to be presented to next meeting IT Security Network audit underway with 4 reports due in the second half of 2018. Stock management due mid-2019.
15. Staff Engagement Survey	All staff are invited to participate in a survey to provide feedback on a wide range of work related topics that will help to shape our people policies and ensure a positive workplace for all employees.	<ul style="list-style-type: none"> Online and hard copy survey sent to all employees every 2 years. Each department to develop an action plan in consultation with staff to respond to survey results. 	<ul style="list-style-type: none"> Survey released on 16 May 2017. Closing date 30 May. Action plan prepared to respond to feedback. 	<ul style="list-style-type: none"> March 2019

6.2 UPDATE ON INTERNAL AUDITS

File No: CM.131

Responsible Executive Officer: Director Corporate Services

Reporting Author: Governance Officer - Compliance

Date of Report: 29 October 2018

Disclosure of Interest: Nil

Attachment(s): Nil




PURPOSE

To provide the Audit & Organisational Risk Committee with a status update regarding implementation of recommendations from past internal audits.

BACKGROUND




Recent internal audits have been conducted on Delegations & Authorisations and Corporate Credit Card Usage and below is a summary on the status of the audit recommendations outstanding since the last AORC meeting held in March 2018.

The following key applies to status:

	Recommendation yet to be implemented
	Recommendation currently being implemented
	Recommendation implemented / completed

Internal Audit - Delegations and Authorisations

Date presented to Audit and Organisational Risk Committee:				21 February 2017	
Number of Recommendations:		22	Recommendations completed:		19 (86%)

Recommendation	Responsibility	Comments	Timing	Status
Finance to provide improved training around Purchase Orders	Finance	<ul style="list-style-type: none"> Finance arranging resources to implement a training workshop prior to end of year. 	Dec 2018	
Invoices to be stored electronically	Finance	<ul style="list-style-type: none"> Governance has liaised with Finance and Records teams. Invoices received electronically meet recommendation. A complete transition is not possible with existing software, workflow and approval processes. 	2019	
Improved electronic workflow process to replace paper based slower systems surrounding delegations.	Governance / Information Services	<ul style="list-style-type: none"> External developer working with Information Services on Nintex workflow systems and escalations. 	Q2 2019	

CONCLUSION

All of the recommendations of the Credit Card audit have been implemented. An internal audit on grants and contributions is currently being finalised.

Various teams are collaborating in order to implement the outstanding recommendations of the Delegations audit however the recommendation regarding electronic invoices remains problematic. This recommendation will require a change in software that will result in a significant impact on the operations of the organisation. This will occur in the future at some stage as the technology becomes accessible at a reasonable cost, however realistically, the organisation is some way from having complete electronic invoice management and storage.

A further update will be provided at the next Audit and Organisational Risk Committee meeting.





6.3 UPDATE ON EXTERNAL AUDIT**File No:** CM.131**Responsible Executive Officer:** Director Corporate Services**Reporting Author:** A/Manager Governance & Organisational Strategy**Date of Report:** 29 October 2018**Disclosure of Interest:** Nil**Attachment(s):** Nil**PURPOSE**


To provide the Audit & Organisational Risk Committee with a status update regarding implementation of recommendations from past external audits by AMD Chartered Accountants.

BACKGROUND

At the meeting of the AORC on 25 July 2017, a report was presented detailing the findings and recommendations arising from a review of the City's Financial Management Systems and on 14 August 2018 the Interim Audit Management Report for 2017/18 was presented.

The table below outlines the status of recommendations from the report:

Recommendation	Responsibility	Comments	Timing	Status
Financial Management System Review				
Maintenance and security of financial records				
BCP to be tested periodically to its full extent	Governance	<ul style="list-style-type: none"> Testing carried out every two years BCP exercises undertaken at Airport in 2017 and at REAP in 2018 	Oct 2018	
Interim Audit Management Report – 2017/18				
Periodic and independent review of all changes made to master files to prevent erroneous or fraudulent changes.	Finance/HR	<ul style="list-style-type: none"> Monthly reviews are occurring and processes developed to review master file changes. Audit of payroll master file occurring fortnightly. 	Ongoing	
End of Month checklists be prepared monthly and signed off by the preparer and an independent reviewer.	Finance	<ul style="list-style-type: none"> Fixed date settlement process has been implemented. Monthly review checklist has been updated for appropriate signatures 	August 2018	
Employee personnel files to contain appropriate supporting documentation for wages, time allocations and employee deductions.	Human Resources	<ul style="list-style-type: none"> Current procedures require employee files contain appropriate supporting documentation. Not all documentation is available for long serving employees, some of whom have over 30 years service. 	Ongoing	

Recommendation	Responsibility	Comments	Timing	Status
Daily Taking Sheet and End of Day Cash receipts Reconciliation be signed by the employee preparing the reconciliation and then reviewed by someone independent of the receipting function and signed off as evidence of the independent review.	Finance	<ul style="list-style-type: none">• Second independent review and signature has been added.• Informal training and awareness raising conducted on continuous basis.	May 2018	

CONCLUSION

A further update on the outstanding recommendation will be provided at the next AORC meeting.

6.4 UPDATE ON OAG PROCUREMENT AUDIT

File No:	CM.131
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Governance Officer - Compliance
Date of Report:	13 November 2018
Disclosure of Interest:	Nil
Attachment(s):	Nil

PURPOSE

To provide the Audit & Organisational Risk Committee with an update on the Office of the Auditor General (OAG) Procurement Audit.

BACKGROUND

As previously reported to the Audit and Organisational Risk Committee, the City was one of eight local governments chosen by the OAG for a Performance Audit on procurement systems, policies and procedures. The audit objective was to determine if local governments have effective procurement arrangements in place.

The Auditor General tabled Report 5 – Local Government Procurement in Parliament in October 2018. The OAG reported 86 detailed findings across the 8 local governments. This included 11 significant findings across 5 LGs, and 41 moderate and 34 minor across all 8 local governments. The Management Letter provided to the City reported two moderate and five minor findings. All except one of the findings has been actioned.

The OAG has recommended that all local governments, including those not sampled, should review their policies, processes and controls against the focus areas of the audit as outlined in the table below and those audited should provide an action plan to address this recommendation, table it with their Council, and make it available on their website.

Procurement Framework	Focus Area	What we can expect to see:	Officer's Response
Policy	<i>Policy</i>	<ul style="list-style-type: none"> • LGs regularly review policy to assess if value thresholds and quote requirements reflect current needs • Policies are clear about when and how to apply exemptions 	<ul style="list-style-type: none"> • The City's policy is reviewed regularly with the most recent review due to be presented to Council at the Nov OCM. • Exemptions are clearly detailed.
Training	<i>Training</i>	<ul style="list-style-type: none"> • LGs provide all staff involved in the procurement process with training in relevant policy and processes • Training emphasises personal accountability and how probity and transparency relate to procurement 	<ul style="list-style-type: none"> • Induction training is provided on commencement and refresher training provided on a regular basis.

		<ul style="list-style-type: none"> • LGs provide staff with refresher training 	
Sourcing	<i>Seeking quotes</i>	<ul style="list-style-type: none"> • that business requirements were determined prior to engaging suppliers • LG staff used the right purchasing method, as required by their own policies and the Regulations • that the use of exemptions was justified and documented 	<ul style="list-style-type: none"> • Business needs are determined prior to engaging suppliers • Purchasing methods are used in accordance with policy and Regs • Exemptions are justified.
	<i>Tendering</i>	<ul style="list-style-type: none"> • that tenders were advertised, opened, assessed and recorded in line with the Regulations • documentation was retained to support open, fair and transparent decisions, and show that processes have been followed • that a Tenders Register was maintained in line with the Regulations 	<ul style="list-style-type: none"> • Tenders are processed in accordance with the Regs. • Documentation is retained to demonstrate compliance. • Tender Register is maintained in accordance with the Regs.
	<i>Conflict of Interest</i>	<ul style="list-style-type: none"> • that tender evaluation panel members provide positive assurance declarations • that declarations were retained and there was a record of how they were assessed and how many conflicts were addressed. 	<ul style="list-style-type: none"> • Declarations have been provided where a conflict exists. Positive assurance declarations are being introduced. • Details of declarations are retained.
	<i>Purchase orders and approvals</i>	<ul style="list-style-type: none"> • that purchase orders were raised for the full expected amount of the procurement • purchase orders were approved by staff with appropriate authority • internal approvals were obtained before goods and services were purchased 	<ul style="list-style-type: none"> • POs are raised for the full expected amount. • Purchases and POs are appropriately approved
	<i>Segregation of duties</i>	<ul style="list-style-type: none"> • appropriate segregation of duties across the procurement process 	<ul style="list-style-type: none"> • Invoices are checked by Finance and all payments are independently approved.
	<i>Reviewing invoices and payments</i>	<ul style="list-style-type: none"> • any differences between invoice charges and quoted or contracted rates had been reviewed and appropriately justified • goods and services were received and approved by staff with appropriate authority • that there were strong controls around payment of suppliers and access to bank accounts 	<ul style="list-style-type: none"> • Invoices and POs are reconciled. • Goods and services are received and approved by staff with appropriate authority. • Access to bank accounts is limited to key senior staff and all payments are approved by one members of the

		<ul style="list-style-type: none">• documentation was retained to support open, fair and transparent decisions, and show that processes have been followed	<p>Exec plus one senior Finance staff member.</p> <ul style="list-style-type: none">• Documentation is retained to ensure compliance.
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With the introduction of positive assurance declarations for tender evaluation panels, the City's policies, processes and controls will meet the requirements of each of the focus areas of the audit as outlined in the table.

CONCLUSION

Overall the OAG found 'some issues relating to the implementation of policies and the administration of some tendering documentation' and also that the City 'demonstrated elements of good practice in relation to procurement training for staff, and continuous improvement around purchasing and tendering policies.'

7 CLOSURE & DATE OF NEXT MEETING

The meeting closed at 3.52 pm.

The date of the next meeting is to be held on Tuesday, 5 March 2019 at 3:00 pm in Council Chambers - Welcome Road, Karratha.

I, Cr Evette Smeathers, Chairperson for the Audit & Organisational Risk Committee of the City of Karratha, hereby declare on behalf of the Committee that the enclosed Minutes are a true and accurate record of the Audit & Organisational Risk Committee Meeting held 16 November 2018.

..... Date ____/____/____